Austria ... Sch 20	Indonesia .. Rp 3100	Philippines Pes 20
Bahrain . Din 0.650	Israel .... IS 2.50	Portugal .. Esc 100
Belgium ... BFr 45	Italy ...... L 1500	S Arabia . Rls 6.00
Canada ... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£1.50	Lebanon L£ 50.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg LFr 45	Switzerland SFr 2.20
France .. FFr 6.50	Malaysia .. Rm 4.25	Taiwan .. NT $65
Germany DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 0.650
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U A E. ... Dh 6.50
India .... Rup. 15	Norway . Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Changing guard at France's energy monopolies, Page 9

World news | Business summary

US builds up naval force near Lebanon

A second US "amphibious ready group" of about 1,900 Marines set sail from Spain towards the eastern Mediterranean, the Pentagon said.

It will join a battle group of at least 22 vessels of the Sixth Fleet on a "routine patrol pattern" south of Cyprus and close to Lebanon where tensions are deepening over the fate of three American hostages.

The British Foreign Office could not confirm reports that British envoy Terry Waite had been shot and wounded. Waite was in Lebanon to try to free hostages, some of whom face execution on Monday unless their kidnappers' demands are met.

Palme inquiry move

Hans Holmer, the Stockholm police commissioner who led the unsuccessful hunt for the murderer of former Prime Minister Olaf Palme, was replaced in an attempt by the Government to break the deadlock over the unsolved murder. Page 18

N-tests to resume

The Soviet Union will resume nuclear test explosions following the nuclear test in Nevada on Tuesday. However, it is still prepared to stop, if the US does the same, Soviet ambassador Yuri Nazarkine said. Page 2

Marcos rejection

A Swiss court rejected a request by Ferdinand Marcos, former Philippine president, to block an investigation into his assets in Geneva banks.

Greek reshuffle

Greek Prime Minister Andreas Papandreou reshuffled his cabinet, replacing seven ministers in the second government changes in three months.

Nato, Lisbon in talks

Nato Secretary-General Lord Carrington arrived in Lisbon for two days of talks focusing on Portugal's role in the Atlantic alliance and Portuguese appeals for more defence aid. Page 2

$93m aid for Africa

The US pledged $93m in a fresh aid initiative to southern Africa at "a time of great peril for the region." The US has long been a target of black African criticism and the aid marked a shift from previous Reagan Administration policy.

Printers give in

UK printers' union Sogat 82 conceded defeat in its bitter dispute with Rupert Murdoch's News International group, which sacked 5,000 workers in moving to a new plant a year ago. Page 18

'Spy' confession

Roger Cooper, a British businessman held without trial in Iran for more than a year, was shown on Iranian television confessing that he had spied for Britain for many years.

Spymaster retires

East German intelligence chief Markus Wolf retired with his country's highest civilian award. He was considered one of the world's most skilful spymasters.

UK envoy named

South Africa appointed foreign affairs director Ray Killen as its new ambassador to Britain. He replaces Denis Worrall, who resigned amid speculation that he is returning home to fight the all-white general elections.

Soviet visa reform

The cases of thousands of Soviet citizens wishing to leave the country were under review, a Foreign Ministry official said. About 500 exit visas were issued last month under a revised Soviet emigration policy.

GM hit by $1.2bn charge in quarter

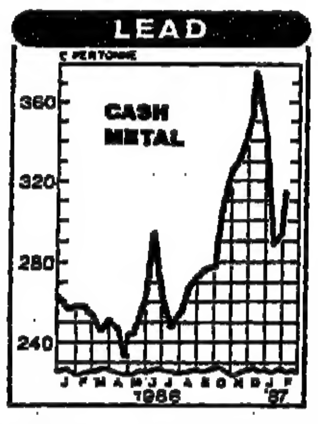
GENERAL MOTORS of the US unveiled fourth-quarter net profits of $382m after taking a write-off of $1.2bn to cover plant closure costs. The result compared with $1.2bn profits for the same period last year.

PAN AM; Unions at the struggling US airline have formally begun to seek another airline to make a takeover bid for their company. Page 19

LONDON: Strong demand for oils again led the stock market to new heights, with the FT-SE 100 rising 19.4 to 1,866.1 and the FT Ordinary index 13.4 up at 1,486.2. Gilts also extended their gains. Page 36

TOKYO: Large-capital stocks were again the target for buyers but profit-taking pressure sparked by investor concern over high prices drove shares sharply lower. The Nikkei average lost 178.79 to 19,795.08. Page 36

WALL STREET: The Dow Jones industrial average closed up 10.28 at 2,201.49. Page 36



LEAD cash price on the London Metal Exchange rose £14.50 to £314 a tonne on news that Australia's Broken Hill Associated Smelters planned to shut its Port Pirie works for five weeks at the end of March. Page 28

GOLD fell $5.50 on the London bullion market to close at $399.25. It also fell in Zurich to $400.50 ($403.00). In New York the April Comex settlement was $408.20. Page 28

DOLLAR closed in New York at DM 1.8365; SFr 1.5475; FFr 6.1210 and Y153.60. It rose in London to DM 1.8400 (DM 1.8150); it also rose to Y153.65 (Y152.75); to SFr 1.55 (SFr 1.5320); to FFr 6.1325 (FFr 6.0650). On Bank of England figures the dollar's exchange rate index rose from 103.5 to 104.2. Page 29

STERLING closed in New York at $1.5190. It fell in London to $1.5150 ($1.5225); but rose to DM 2.7875 (DM 2.7625); to FFr 9.29 (FFr 9.22); to SFr 2.3475 (SFr 2.3325); and to Y232.75 (Y232.50). The pound's exchange rate index rose 0.2 to 68.8. Page 29

CHRYSLER, third biggest US car producer, raised fourth-quarter profits to $323.6m from $215m. Worldwide vehicle sales were up 7.1 per cent. Page 19

KLM, Royal Dutch Airline, incurred a 15 per cent fall in profits to Fl 289.6m ($142m) in the first nine months of 1986–87 from Fl 342.7m a year earlier on the sharply lower dollar. Page 19

FRANCE'S current account balance of payments swung back into surplus last year for the first time since the 1979 oil price crisis, Finance Minister Edouard Balladur said.

ERICSSON, Swedish telecommunciations and electronics group, hopes to increase its share of the public telecommunications markets in Spain and Italy. Page 19

ALLIANZ, largest West German insurance group, reported an increase in worldwide premium income to DM 19.2bn ($10.5bn) last year from DM 17.4bn in 1985. Page 19

MOULINEX, French kitchen equipment producer, should be sold to its management, Jean Mantelet, founder, chairman and principal shareholder, told employees. Page 18

Bonn set to resist calls for economic expansion

Gerhard Stoltenberg: against fine tuning

BY DAVID MARSH IN BONN

FOREIGN Governments hoping for any quick economic stimulus in West Germany in the wake of last month's elections are in for a disappointment.

The position of Mr Helmut Kohl, the Chancellor, has been weakened both within and outside the centre-right coalition by the losses suffered by the conservative parties in the January 25 poll which confirmed him in office for another four years. For a number of reasons, the election outcome seems to have confirmed Mr Kohl's natural inclination towards "safety first" policies.

In spite of almost daily indications of flagging growth in Western Europe's largest economy and renewed calls from Washington for stimulating measures, caution is being engraved in ever larger letters as the watchword of Bonn policy-making.

With the severe winter weather adding to other factors already depressing output over the last few weeks, West Germany can expect mounting international pressure for action on the economy during the run-up to the seven-nation economic summit in Venice in June.

But the most decisive influence will come from a power battle within the Bonn coalition.

The Economics Ministry, in the hands of the Free Democratic Party (FDP), the junior coalition partners which did particularly well in the elections, has suggested a possible cut of up to 10 per cent in income and corporate taxes later this year.

But Mr Gerhard Stoltenberg, the Finance Minister, has set his face against any significant speeding up or increase in DM 9bn ($4.97bn) of tax cuts already programmed for January next year.

Indeed, the Government is demonstrating a certain fatalism about the possibility of influencing short-term economic prospects.

In wearisome coalition negotiations now under way in Bonn over the formal constitution of the next government, attention is focusing on plans for a wholesale reform of the tax system to come into effect from 1989 onwards.

Concentration on the medium term tax package – itself the subject of considerable bickering within the coalition and state governments – reflects the personal styles of Mr Kohl and his Finance Minister.

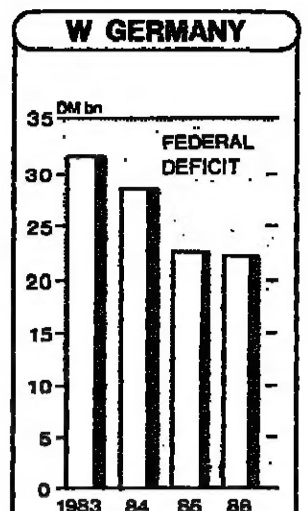
Mr Stoltenberg, ideologically opposed to "fine tuning" of the economy, has won influence and popularity through his efforts at vanquishing inflation, now negative for the first time since 1953.

He was frequently applauded during the election campaign when he told rallies he would rather sacrifice one percentage point of economic growth than endanger West German price stability.

This year's gross national product (GNP) growth projection has, in fact, been revised down by most experts to 2 per cent compared with the 3 per cent being forecast last autumn. This is partly due to the negative effect on exports of an appreciating D-Mark.

Officials say any form of short-term fiscal stimulus to react to the changed picture could be dangerously counter-productive.

Continued on Page 18
French current account back in surplus, Page 2



UK to withhold EEC funds until farm policy is overhauled

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, yesterday made clear that Britain was not prepared to put up more money to prop up the European Community's creaking budget until its common agricultural policy and financial control mechanisms had been thoroughly overhauled.

The Prime Minister's message was conveyed to Mr Jacques Delors, President of the European Commission, during a 50-minute meeting in Downing Street, Mr Delors' ninth stop on his current trek around Community capitals to persuade member governments to provide more funds.

Together with Bonn, where Mr Delors is due to go shortly, London was always expected to be his most difficult assignment. Relations between Mrs Thatcher and Mr Delors have been at a low ebb since their acrimonious clash in the European Parliament last December, when Mrs Thatcher warned that she was not prepared to pay "a penny more" into the Brussels coffers.

Mr Delors was given the same message yesterday, though officials stressed that his Downing Street talks had been friendly, if frank. Both sides had been firm in expressing their respective views, but there had been no "dust-up."

Though Mr Delors is proposing a reform of the Common Altgricultural Policy and tighter control of EEC spending, he also is asking the 12 member countries to double their expenditure on social and regional policies and to increase their budget contributions to avoid constant cash crises.

The centrepiece of the Commission's plan to stabilise the Community's finances is to replace the present system of contributions based on value-added tax, customs duties and levies to one based on the gross domestic product of each member state. The proposal is that 1.4 per cent of each member's GDP should be paid into the Community budget, which is estimated to be substantially more than their current contributions.

European Commission proposals to extend anti-dumping duties beyond imported goods to their components were confronted by an unexpected hurdle yesterday when the Commissioner responsible for internal-market policy questioned whether customs officials could cope with the extra work which would be involved. Page 18

Mrs Thatcher and Sir Geoffrey Howe, the Foreign Secretary, whom Mr Delors saw later in the day, consider that Mr Delors is putting the cart before the horse. Mrs Thatcher said that before anything could be done to augment the Community budget, remedies must be found for the very serious present shortcomings in the Community's financial management.

Only a very small start had been made on reducing the Community's huge agricultural surpluses and one of the main priorities should be the introduction of similar budgetary control arrangements for cereals as had already been adopted for beef and the dairy sector.

A proper system of public expenditure control of the kind in force in most of the individual member states must also be applied to the Community, Mrs Thatcher told Mr Delors.

The Commision is preparing a price package for the 1987–88 farm year providing for cuts and freezes for most products. Some experts have described the new proposals as the most restrictive in the history of the common agricultural policy.

Mrs Margaret Thatcher

Speaking at a European agriculture conference in London yesterday, Mr Henning Christopher, the Community's Commissioner for the Budget and Financial Control blamed the Community's inability to finance its agricultural policy on the "dangerous lack of a link" between the ministers making decisions on agriculture and on setting the budget.

The Commission President, who was accompanied by three other members of the Commission, Mr Christopher, Mr Frans Andriessen (Agriculture), and Mr Grigoris Varfis (Regional policy), later flew to Dublin for talks with the Irish Government.

Reagan agrees to testify on Iran arms

By Lionel Barber in Washington

PRESIDENT Ronald Reagan has agreed to give further evidence to the Tower commission investigating the Iran-Contra affair, and will also hand over his relevant personal notes to the three-strong blue ribbon panel the White House said yesterday.

President Reagan's conciliatory gesture came as pressure mounted among Republicans for Congress to grant limited immunity from prosecution to two key witnesses: Vice Admiral John Poindexter, former US National Security Adviser, and Lt Col Oliver North, the White House aide dismissed for his role in the scandal.

Two Republican members of the House of Representatives select committee investigating the affair yesterday suggested that immunity should be granted to Lt Col North and Mr Poindexter to speed up the inquiry. So far, both men have refused to testify before Congress, citing their fifth amendment rights against self-incrimination.

The problem for the house committee – chaired by Democrat Congressman Lee Hamilton of Indiana – is that granting immunity conflicts with the wishes of Mr Lawrence Walsh, the court-appointed independent counsel. Mr Walsh believes that limited immunity could jeopardise future criminal charges.

The two Republican Congressmen, Mr Henry Hyde and Mr William Broomfield, are both conservatives. They feel that a lengthy in-

Continued on Page 18
Soviet Union ends test freeze, Page 2

World oil output and demand moving closer

BY PAUL BETTS IN PARIS AND MAX WILKINSON IN LONDON

THE GAP between the world's demand for oil and potential supply appears to have narrowed significantly after last year's fall in crude prices, latest figures from the International Energy Agency in Paris suggest.

The IEA's monthly oil market report, published today shows that the major change was a large increase in imports of oil by the US, mainly from the Organisation of Petroleum Exporting Countries (Opec).

Last year, the US's oil imports rose by 1.1m barrels per day (b/d) or 23 per cent, compared with the average level in 1985. In the first 10 months of last year, the IEA estimates show that the average price of crude imported into the industrial countries was $15.30 compared with an average of $29.10 in the same period the previous year.

As the price started to collapse, many experts were uncertain about the extent to which cheaper oil would stimulate consumption and choke off production outside Opec. In its latest report, the IEA does not attempt to trace the link between lower prices and increased US imports.

However, its figures show that total demand for oil products in the US rose by 2.5 per cent in 1986 compared with 1985 to an estimated average level of 16.3m b/d. The sharpest rise was in the consumption of heavy fuel oil, which rose by 16 per cent between the two years.

In the first nine months of last year, US consumption of oil was rising at an accelerating rate though the growth rate settled down a little in the fourth quarter to about 2.5 to 3 per cent, compared with the same quarter in 1985.

This rise in consumption came at a time of marked slowing of US oil production. In January, US oil output at 10m b/d was 800,000 b/d, or 7.4 per cent, less than the average for the first quarter of last year, although the January figure was only 300,000 b/d below the average US production for the whole of last year.

For the Organisation for Economic Co-operation and Development area as a whole, the agency says the average rate of growth of oil consumption last year was about 2.5 per cent, compared with the 1985 level, with the sharpest rise in the second quarter. This year consumption is expected to rise by about 1.5 per cent.

As a result of the fall in US oil output and the announcement that Norway will restrain production, OECD oil production in the first three months is now expected to be 300,000 b/d lower than earlier projected, at 16.9m b/d. The IEA's projections suggest that excluding natural gas liquids and ignoring changes in stock levels, the scope for Opec production in the first three months of this year would be 18.9m b/d, dropping to 16.4m b/d from April to September.

Commodities, Page 28

Paris puts FFr 3bn price tag on control of state TV station

BY DAVID HOUSEGO IN PARIS

THE French Government announced yesterday that the commercial consortium which wins the concession for running TF1, the state owned television channel soon to be privatised, will have to pay FFr 3bn ($495m) for 50 per cent of the shares and majority control.

The announcement coincided with the launching of a campaign by French advertising agencies against the joint candidature of Hachette, France's largest publishing company, and Havas, the state owned advertising and media group, which are favourites to win the concession.

The agencies complain that the Hachette-Havas alliance which has been encouraged by the government of Mr Jacques Chirac, would distort competition by giving Havas unfair advantages.

The announcement of a FFr 3bn price tag for the 50 per cent of the shares reserved for corporate applicants, comes after the independent privatisation committee put a total value on TF1 of FFr 4.5bn – close to the figure widely anticipated. The committee said that any operating consortium should pay a minimum of FFr 2.7bn.

The Government said that the additional FFr 300m it was demanding – or 11 per cent more than the minimum set by the committee – was a premium that recognised the importance of gaining operating control.

It also said that the remaining shares would be sold at a price well below that offered to the operating companies. Of the remaining 50 per cent, 40 per cent will be offered to the public and 10 per cent to employees.

The campaign by the advertising agencies against the Hachette-Havas candidature is being backed by some sections of the press which believe that Hachette is building up too great a concentration of media interests.

Though the choice of operating group officially rests with the new independent national broadcasting committee, the Government has been strongly lobbying behind the scenes in favour of Hachette and Havas.

CONTENTS

EUROPEAN NEWS

SUCCESS MARRED BY CONCERN OVER INDUSTRIAL EXPORTS

French current account returns to surplus

BY GEORGE GRAHAM IN PARIS

FRANCE RECORDED a surplus on the current account of its balance of payments last year for the first time since 1979.

Mr Edouard Balladur, the Economy Minister, announcing a surplus of FFr 25.4bn (£2.76bn) compared with a FFr 1.5bn deficit in 1985, said yesterday he was confident of another surplus this year.

Behind the return to surplus, however, lies a less triumphant story—the alarming erosion of France's previous trade surplus in industrial goods and its deepening bilateral trade deficits with West Germany, its main trading partner. The industrial goods surplus slumped from FFr 82bn in 1985 to only FFr 32bn last year, while the trade deficit with West Germany worsened from FFr 28.5bn to FFr 39.7bn.

Closer up, the picture looks even grimmer. While imports of capital goods rose by 6 per cent in 1986, exports in the same sector recorded a 4 per cent drop, mostly due to a lull in Airbus airliner deliveries.

Consumer demand in France also took off well before it did in West Germany, leading to a sharp deterioration in the consumer goods deficit from FFr 4.4bn in 1985 to FFr 13.6bn

Indeed, the Foreign Trade Ministry admits that France would have been in overall deficit last year on industrial goods, were it not for a continued surplus on arms sales.

The charge levelled at the Government from some quarters is that it has dissipated the blessings bestowed by lower oil prices—which halved France's deficit on energy and brought a FFr 90bn bonus to the overall of manufacturing industry.

The analysis is not accepted by Mr Michel Noir, the Foreign Trade Minister, who sees the decline in the industrial surplus as inextricably linked with the reduction in the oil deficit. The oil price decline, he said yesterday, had not only damaged France's major markets in the oil-exporting nations but had also deflated demand in other export markets.

However, Mr Noir sees a need to reorient French exports towards Western Europe and the Far East and to take a tough line in trade negotiations.

Besides the velvet glove of export promotion programmes aimed at West Germany, Italy and Spain, and exhortations to French companies to improve the quality of their goods and services, Mr Noir said yesterday that the tougher approach was already yielding dividends. Out of FFr 1.8bn of contracts won by French companies in the Soviet Union last year, he said, FFr 1bn came in November and December after France had blocked further imports of Soviet oil.

But Mr Noir also wants to "get full value from our purchases abroad." through counter - trade requirements, both through the state-owned companies and through promoting international trading companies of the kind more developed in Japan or the US than in France.

For French exporters, however, the concern is whether they can keep a competitive edge against their West German rivals. Labour costs are now rising more slowly in France than in West Germany, but more general price inflation still shows a gap of around three percentage points, and Mr Balladur has already warned that January's inflation statistics will be bad.

Some economists fear that to offset this inflation disadvantage the franc will need to be devalued against the D-Mark by more than the 3 per cent movement agreed last month. Mr Balladur is adamant, however, that the new exchange rates can last and that the realignment of the European Monetary System was not caused by France's lack of competitiveness.

"The realignment had nothing to do with the balance of payments. Commercial concerns were totally absent from our talks," he said yesterday.

David White on right's troubles

Leadership fight takes toll of Spain's Alianza Popular

SPANISH conservatives are all talking about unity, but in the run-up to its congress this weekend their Alianza Popular party has been looking more and more like a rough-house.

However the battle for the leadership is resolved, the outcome will hardly begin to solve the problems of the Spanish right.

Mr Manuel Fraga, the former Franco minister who spent a decade building up Alianza Popular, resigned abrupty in December when the party was floundering electorally and financially. In his letter of resignation, which he had written weeks earlier, he said he did not want to be an obstacle preventing the forces of the right from "uniting and achieving what they have achieved in the rest of Europe."

Leaving the party to its quarrelsome factions turned out to be a poisoned gift, however. The leadership issue, which has produced a sorry spectacle of in-fighting, leaves open the question of who can rebuild the centre-right, whose divided battalions have been limping along since the self-destruction of Spain's former governing party, the UCD, in 1982.

Alianza Popular is now as much of a misnomer as the German Democratic Republic. It is neither popular, in the sense of exciting widespread enthusiasm, nor an alliance, having broken off with its Christian Democrat and so-called Liberal partners. What with its own defections, it is reduced to 68 seats in Parliament, less than a fifth of the total.

Proposals for a joint platform uniting the two main leadership candidates have hit a serious snag: both want to be number one.

The first is Mr Miguel Herrero y Rodriguez de Minon (46), the effective leader during the interregnum. A former UCD member, one of the authors of Spain's Constitution, he was up to now the party's parliamentary spokesman. Brainy, incisive, often regarded as cynical, in his impatience to achieve power he has been tripping over himself on the way.

Immediately after Mr Fraga's resignation, he was sitting at the latter's desk. In that position, he looked small by comparison. He subsequently took to sitting on the desk.

The second, Mr Antonio Hernandez Mancha, is smaller still. A 35-year-old slip of a man with an outsize forehead, he is party leader in Andalucia, a thoroughly Socialist region where Alianza Popular has been relatively successful in halting the vote slide.

He indulges in a loose, slangy way of talking that would make many of his comments unprintable in this newspaper, admits to biting his nails, used to belong to a pop group, is favoured as the purveyor of a new, young image and fares better than Mr Herrero in opinion polls.

But he has never been in parliament in Madrid, and his inexperience goes against him in the eyes of some of the old guard.

Looking for a figure with enough prestige to engineer a compromise, the party turned to European Commissioner and Ibiza businessmen Mr Abel Matutes. He offered to be honorary party president, but has since accepted a proposal to join Mr Hernandez Mancha's ticket as one of four vice-presidents.

Mr Herrero was also offered a vice-presidency, but he said that was "naive," and countered with his own proposal. Under this, he would indeed be vice-president, but under a figurehead

> Alianza Popular is now a misnomer: it is neither popular in the country; nor is it an alliance, having broken with its partners.

president (the current interim president, Dr Gerardo Fernandez Albor, a grandfatherly surgeon who heads the regional government in Galicia), and with Mr Hernandez Mancha in the hitherto less important post of secretary-general.

Once all this is sorted out, the new leadership has exactly four months to gird itself for regional and municipal elections. Among the regions, the right's best chance of conquest lies in the Catholic heartland of Castille-Leon. But the risk is that opposition to the Socialists there will now be split three ways between Alianza Popular, its former Christian Democrat allies and the ex-Prime Minister Mr Adolfo Suarez.

Under Mr Fraga, who alienated many moderates, the party was seen as having hit an electoral limit. But getting past this limit is not a simple matter of getting rid of Mr Fraga. The party faces a double diemma: how to reach the centre-right vote and how to keep Mr Fraga's own voters.

Alianza Popular, therefore, could go in any one of three ways: it could become a small hard-right party; it could link up with others in the centre: or trade balance—to the detriment it could lose on both fronts. Mr Fraga, by proving himself an impossible man to succeed, has ensured that his bulky shadow will continue to loom over the party congress. Since his resignation, he more than anyone has gained in popular stature.

Paris turns down call for talks on terrorism

By Our Paris Staff

FRANCE has rejected a US call for the problems of terrorism and of hostage-taking in the Lebanon to be discussed by the Group of Seven (G-7) leading industrial nations.

Mr Denis Baudoin, spokesman for the French Prime Minister, Mr Jacques Chirac, said France preferred bilateral contracts and exchanges of information with the governments concerned.

"It is dangerous that the seven should be seen as the world's policemen, especially in the current situation," he said. "On the question of the hostages, bilateral actions are more profitable."

Mr Baudoin indicated that France's view was shared by West Germany and the UK.

He also said that France was "preoccupied" by the manoeuvres of the US sixth Fleet off Lebanon and was worried, from the point of the view of the hostages, about Washington's real intentions.

The US earlier this week asked for terrorism and hostage taking to be discussed by G-7 officials next month as a prelude to putting these issues on the agenda of the Venice summit meeting in June.

There are now five French hostages in the Lebanon, the last of them, Mr Roger Auque, kidnapped last month. In addition, a 10-member team from the charitable organisation Medecins sans Frontieres is being held hostage in Somalia.

The G-7 countries, which besides France and the US number the UK, West Germany, Japan, Italy and Canada, have for the most part concentrated on economic questions at their meetings, although in the past they have also discussed measures to combat air piracy.

French officials warned yesterday, however, that the G-7 meetings have little legitimacy from the point of view of other nations, and could prove counter-productive on the issue of the hostages.

Papandreou pushes out hard-liners

By Andriana Ierodiaconou in Athens

THE GREEK Prime Minister, Mr Andreas Papandreou, yesterday announced parallel changes in the cabinet and the executive of the Socialist Party, which he said were designed to restore voters' confidence and secure a third term in power.

He had been expected to give a facelift to the party and the Government since the Socialists' poor showing in municipal elections last October, timing the move so as to allow a political recovery before the next general election due in June 1989.

Yesterday's reshuffle left the ministers of Economy, Finance, Foreign Affairs and Defence in place. The key feature of the changes was the removal from the cabinet of hard-line ideologies with a strong party history, with a view to their transfer to the Pasok executive bureau, and their replacement with more moderate parliamentary deputies, some with previous ministerial experience.

On one level the change was seen as an affirmation of Mr Papandreou's determination to carry through the two-year economic stabilisation programme introduced by the Socialists at the end of 1985.

The programme had reportedly been challenged in recent weeks by many of the cabinet members removed yesterday. They included the Interior Minister, Mr Menios Koutsogiorgas, the Health Minister, Mr George Gennimatas, the Minister to the Prime Minister, Mr Akis Tzohatzopoulos and the Assistant Minister for Industry, Ms Vasso Papandreou.

By keeping the same foreign policy team the Prime Minister was also believed to be signalling to the pragmatic foreign policy course he has followed since winning a second term in office in 1985.

This has included the decision to remain in the European Community and Nato and to launch negotiations later this year with the US for a new agreement on operation of the four US military bases in Greece.

On another level, the changes were seen as one of Mr Papandreou's regular sweepings of the deck to prevent potential rivals building up power bases. To this end the surprise removal of his son Mr George Papandreou, the Assistant Culture Minister, and his transfer to the Pasor executive bureau along with cabinet hardliners, was interpreted as a bid to have his own man inside the party machine.

Kenneth Adelman, head of the US arms control agency, at a news conference yesterday in Geneva, where he called for greater Soviet openness towards the verifying of arms weapons treaties.

N-arms treaty with Reagan 'still possible'

BY WILLIAM DULLFORCE IN GENEVA

A NUCLEAR arms control agreement could still be struck between the US and Soviet Union during President Ronald Reagan's remaining term in office but the clock is ticking away. Mr Kenneth Adelman, director of the US arms control and disarmament agency, said here yesterday.

Mr Adelman was commenting to journalists after an address to the 40-nation UN disarmament conference in which he urged the Soviet Union to apply to arms control the *glasnost* or openness which Mr Mikhail Gorbachev is trying to inject into Soviet society.

The Reagan-Gorbachev summit at Reykjavik last October had marked an historic turning point in the arms control dialogue. Mr Adelman said, because Moscow had engaged for the first time in "serious hands-on negotiations" on deep reductions in offensive nuclear arms.

Further progress in the talks was linked directly to greater Soviet openness towards the problem of verifying compliance with arms agreements, he said. The issue of openness also went to the heart of the talks on a chemical weapons ban, to which the US was giving the highest priority.

He confirmed that the US still regarded inspection by challenge as the only credible way to verify a treaty.

Responding to a statement by Mr Yuri Nazarkin, the head of the Soviet delegation, that the US nuclear test in Nevada on Tuesday had been "maliciously timed" to coincide with the reopening of the conference, Mr Adelman said Washington had considered the possible effect in Geneva but had decided to stick to its long scheduled, openly declared test programme.

Mr Yuli Vorontsov, the Soviet First Deputy Foreign Minister, said here on Tuesday that in the bilateral nuclear arms talks the US and Soviet Union had started to draft rough guidelines of a disarmament treaty.

Negotiators were putting on paper areas of agreement and disagreement. Mr Adelman explained. But the major hold-up to a treaty was still Soviet insistence on approaches that would effect kill the Star Wars research programme.

Soviet Union ends freeze on nuclear tests

BY OUR MOSCOW CORRESPONDENT

THE Soviet Union yesterday confirmed that its 18-month moratorium on nuclear testing would end as a result of an underground blast conducted on Tuesday at the US test site in Nevada.

Mr Vladimir Petrovsky, a Deputy Foreign Minister, told a news conference that Washington's "provocative step" forced Moscow to implement a decision announced in December to resume nuclear testing after the first US explosion of 1987. He gave no date for renewed testing, and declined to say whether preparations had begun at the proving ground in Kazakhstan.

Declaring that Washington had conducted 25 nuclear tests since Moscow began its unilateral moratorium on August 6, 1985. Mr Petrovsky said the Soviet move had been dictated by security interests and was linked to weapons development. The main Soviet concern raised by continued US testing has been President Ronald Reagan's Strategic Defence Initiative (SDI), the Star Wars programme for an anti-missile shield in space.

Officials at the news conference said resumed testing would not aim to develop weapons symmetrical to Star Wars space weapons, given the Soviet view that such a shield is unrealisable and that the SDI can be countered more simply.

Mr Petrovsky, denouncing Washington's refusal to halt testing as "a mutiny against commonsense," said Moscow was prepared to negotiate a total test ban treaty in any forum which also included the US.

President Andrei Gromyko, who met the former US Secretary of State, Dr Henry Kissinger, yesterday, said the Nevada test demonstrated Washington's intention to aggravate relations.

Milan-Rome route to be opened up

By Alan Friedman in Milan

THE ITALIAN Transport Ministry has decided to allow competition from a private airline on the lucrative Milan-Rome route.

The decision, which will end the monopoly held until now by Alitalia, the state airline, is likely to result in the start of a new private shuttle service between Italy's economic and political capitals in October.

Alisarda, the airline controlled by the Aga Khan, and which flies between the Italian mainland and Sardinia, is considered the most likely carrier to be given authorisation to operate on the route.

The Milan-Rome route normally sees traffic of some 4,000 passengers a day, and about 1.6m a year. The route accounts for some 20 per cent of domestic Italian air traffic, and flights are almost always more than 70 per cent filled.

A formal announcement by the Transport Ministry of the airline to be chosen is expected shortly. Alisarda, meanwhile, has already expressed its "strong interest," in winning approval.

Stockholm left with option bill

By Sara Webb in Stockholm

STOCKHOLM city council stands to make a loss of about SKr 300m ($47m) this year as a result of the misdirected investments of a member of the finance department.

The 28-year-old employee thought he would try to improve the return of the council's SKr 600m portfolio by speculating in options and futures.

The options market in Sweden was opened only in June 1985, and while its development has exceeded all expectations, it is not considered a suitable venue for the council's funds.

The employee was given strict instructions to invest in staid government bonds and risk-free paper, but when the return on the portfolio started to fall, he tried to make it up by secretly entering the options market.

He lost money on several transactions through the banks in December and January, but managed to cover his tracks by hiding the confirmation slips.

The council says it is now up to the prosecutors to decide whether to set an example by taking the young man to court. "His intentions were good, but his abilities with options and futures were poor," said Mr Jan Thunved, the council's finance director.

The episode has not endeared him to the new-fangled instruments an offer in Sweden.

"We have not learned enough about options and things like that to make use of such risky instruments," Mr Thunved said, although he added that futures had been used to hedge the portfolio in the past.

City taxpayers will not be asked to help to recover the loss, which corresponds to about 70 ore (approximately 10 cents) per taxpayer.

However, the city of Stockholm – which has a Triple A rating – plans to send out a letter to the main banks in the capital markets to explain how they made such a loss.

Fiat demands big productivity increases at Alfa Romeo

BY JOHN WYLES IN ROME

UNION LEADERS representing 34,000 workers at the Alfa Romeo car company—now part of Fiat's Alfa-Lancia group—were yesterday considering a management demand for productivity increases of 35 - 40 per cent.

This is Fiat's first indication since it acquired Alfa on January 1 of what it feels is needed to transform Alfa into an internationally competitive company able to market, with Lancia, 600,000 cars by 1990. Their present joint output is 400,000 vehicles.

Negotiations, which Fiat wants to complete by the end of the month, will resume next week with the unions somewhat shaken to be informed that two-thirds of the productivity increase must come through changed working practices.

If Fiat gets its way, this will involve the unions agreeing to:

- More flexible working practices.
- Forty minutes more work a day to bring Alfa's Arese and Pomigliano plants into line with the rest of the Fiat group.
- An end to the concept of work groups—which Fiat says is "outdated" so as to speed-up assembly-line operations.
- A speeding-up of work "tasks" whose timing Fiat says has been left unchanged for 20 years.

Fiat executives told the unions that the rest of the sought-for productivity improvement would be delivered by changes in factory organisation and investment in new plant. The company plans to spend L5,000bn (£2.53bn) on machinery and new models by 1990-91.

New versions of the Alfa 33 and 75 would be brought in by 1990 together with a new van design. Fiat aims to boost Alfa-Lancia's 3.5 per cent share of the European car market by at least one percentage point. This would take the group's sales up to 515,000 to which would be added a 80,000 target sale in the US market.

Previously, Fiat has talked of marketing 60,000 units in the US but it hopes to boost this total by also marketing the van.

The Fiat managers stressed that they hoped to transform Alfa without redundancies but by cutting the workforce to 28,000 by natural wastage. They told union leaders that Ford, which put in the losing bid for Alfa, had measured the higher productivity requirement at 40 per cent.

UN envoys renew Cyprus peace effort

TWO United Nations special envoys met Greek and Turkish Cypriot leaders yesterday amid growing ill-feeling among Greek Cypriots towards UN policy on the divided island, Reuter reports from Nicosia.

Mr Marrack Goulding, UN Under-Secretary General for special political affairs, and Mr Gustave Feissell, director of the UN Under-Secretaries General Office, were grim-faced when they emerged from talks with President Spyros Kyprianou.

"We discussed all aspects of the Cyprus problem. The president laid stress on the issue of Varosha and on an increase of Turkish forces in the north," Mr Goulding said.

They are trying to break an impasse created last year when Greek Cypriots rejected and Turkish Cypriots accepted a draft federal agreement to re-unite Cyprus.

Greek Cypriots demand the withdrawal of an estimated 23,000 Turkish troops, whom they allege are being strengthened and re-armed, and the return of the deserted city of Famagusta-Varosha in the Turkish-occupied north of the island.

The envoys immediately went north to see the Turkish Cypriot leader, Mr Rauf Denktash, and said they would meet the Greek Cypriot Foreign Minister, Mr George Iacovou, later in the day.

Balladur raps dearer insurance

BY OUR PARIS STAFF

MR Edouard Balladur, the French Finance Minister, has launched an attack on the insurance industry for its "irresponsible attitude" in threatening to raise premiums on car insurance.

The state-owned GAN insurance group warned this week that car insurance premiums were likely to rise by 3 per cent to 6 per cent, because of dearer repairs and an increase in the number of accidents.

Mr Balladur said he was surprised by the attitude of the insurance companies, which appeared to be learning the wrong lessons from the introduction of price freedom.

He had already made his views known to them, he said, and expected to be reassured that they would not raise their premiums unjustifiably.

The Government removed controls on most prices at the end of last year and now faces a surge in the inflation rate. Mr Balladur has already warned that the January price index may show an increase of more than 0.6 per cent, taking the annual rate of inflation back up to about 2.7 per cent.

Now deprived of formal price controls, the Government has had to resort to three weapons to fight against price rises: referring price fixing agreements to the competition commission; exerting strong pressure on state sector companies, and urging consumers to "play the price policeman" by shopping around.

French consumers have already seen the price of a cup of coffee or glass of beer rise sharply in their local cafes, but some of the fiercest price rises have come in service areas such as car parks and barbers.

An aide to Mr Balladur said: "It is normal that after 30 years of price controls, there should be a safety valve effect, but some of the sectors which initially put their prices up, such as car repairs, are already finding that they have to bring them down again. There is an apprenticeship to be served in price freedom."

Sandoz faces death claim

A CHARGE has been brought against Sandoz, the Swiss chemicals concern, alleging manslaughter by negligence after the fire at the company's Rhineside plant on November 1 last year, writes John Wicks in Zurich.

The family of a 67-year-old Basle man who died of an asthma attack on November 14 claim that, in the view of his doctor, there was "very probably" a connection between the death and the emission of gas during the fire.

Sandoz said in a statement yesterday that there was no evidence of a long-term health hazard resulting from the fire.

The company said that so far it had received about 350 claims for damages,

Port dispute deepens

THE CONFRONTATION between defiant dockworkers and the port authority in Genoa worsened yesterday as shipping companies threatened to abandon the port next Monday if the wildcat strike actions are not ended, writes Alan Friedman in Milan.

The autonomous Comagnia Unica Lavoratoir, a militant Communist dockworkers' association which has effective control of much of the port, has been refusing to implement a nationally agreed labour accord which would reduce the strength and number of dockworkers.

The shipowners, together with haulage companies, said yesterday that the wildcat strike actions had caused the loss of 82 container ships since the start of December.

Meanwhile, Mr Paride Batini, the charismatic leader of the dockworkers' association, has been informed that he is under investigation by magistrates in Genoa for possibly having broken the law.

Mr Batini, a kind of Italian version of Arthur Scargill (the UK miners' chief who led a year-long strike) is being investigated on possible charges of "the refusal to perform official duties".

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Doubts raised over extension of Philippine ceasefire

BY RICHARD GOURLAY IN MANILA

MR RAFAEL ILETO, the Philippines Defence Minister, yesterday said the Government could not agree to extend the 60-day ceasefire with Communist rebels that expires at noon on Sunday unless it was accompanied by meaningful negotiations.

The National Democratic Front representing the New Peoples Army guerrillas pulled out of peace talks on January 31 citing the military's shooting of 15 peasants in riots a week earlier and the Government's insincerity in the talks. Many officers and other Filipinos level the same charge of insincerity against the Communist insurgents.

President Corazon Aquino said no Wednesday that she wanted an extension of the ceasefire but the military appeared to be gearing up for a resumption of the 18-year conflict.

Mr Ileto said there would be a gradual build-up in the use of military force if the ceasefire is not extended but suggested that the Government would pursue regional ceasefires with local rebel leaders, by-passing the national negotiators.

Meanwhile, the NDF in Mindanao, an area where the insurgency is at its strongest, supported the national leadership's decision to pull out of the talks in a paid newspaper advertisement. In the central Philippines another NDF group said it wanted peace but would "rather fight" until the Government started to negotiate with sincerity.

NDF sources said its negotiators would inform the Government in the next three days if they are to resume peace talks, but added that they were doubtful about a ceasefire extension. One NDF spokesman who has just returned to Europe, Mr Luis Jalandoni, said the NPA would adopt a non aggressive active defence posture after the ceasefire expires.

However, Mr Teofisto Guingona, the Government's chief peace negotiator, said yesterday that he was optimistic there would be an extension. "Now that the new constitution has been overwhelmingly approved they (the rebels) should heed the desires of the majority. They (the people) want reforms and not revolution."

S African banker's link to ANC adverts to be probed

BY JIM JONES IN JOHANNESBURG

PRESIDENT P. W. BOTHA has appointed the judge president of the Cape to investigate allegations that Mr Chris Ball, the managing director of Barclays National Bank, financed newspaper advertisements calling for the unbanning of the ANC and the release of Nelson Mandela and other political prisoners. The United Democratic Front (UDF) which placed the advertisements on January 8, says that Mr Ball was not involved.

President Botha yesterday announced the appointment of Mr P R "Rae" Killen, the present Director General of the Department of Foreign Affairs as the ambassador to London to replace Mr Denis Worrall who resigned last week to pursue a political career.

The investigation follows allegations and attacks on prominent businessmen and anti-apartheid organisations made by President Botha himself in parliament on Wednesday. He alleged that Mr Ball, who heads South Africa's largest banking group, had helped finance the advertisements which marked the ANC's 75th anniversary.

He also said that Mr Tony Bloom, who is a prominent businessman and an outspoken critic of the Botha Government, other businessmen, anti-apartheid groups such as the Black Sash and the officiel white opposition Progessive Federal Party (PFP) were being manipulated by the ANC.

In September 1985 Mr Bloom and other business leaders held talks with senior ANC representatives in Lusaka.

Mubarak moves back into mainstream of Arab politics

Egypt has profited from a power vacuum, Tony Walker reports

EGYPT'S President Hosni Mubarak gave a spirited and confident performance earlier this week in a nationally-televised speech marking Police Day.

Egypt's leader was buoyed by his reception at the Islamic Conference Organisation, a representative body of the world's Islamic states, meeting in Kuwait late last month where his country's importance in Arab counsels was reaffirmed. Mr Mubarak himself performed creditably and handled with skill a potentially difficult encounter with Syria's President Hafez Al Assad.

All of this has reflected well on his standing domestically at a time when Egypt is grappling with serious economic problems and a challenge from the religious right. Mr Mubarak's sucess in Kuwait, if not exactly providing a respite from his troubles at home, has bolstered his authority in his own country.

Egyptian officials say that while they had "higher expectations" of the Kuwait conference they were well satisfied with the outcome. Egypt had hoped for a stronger display of Arab solidarity in the face of the challenge from Iran.

Cairo, unrealistically perhaps, also wanted the conference to somehow provide an occasion for Gulf states, led by Saudi Arabia, to indicate a willingness to resume full diplomatic relations, suspended when Egypt signed its peace treaty with Israel in 1979.

Mubarak: confident

President Hosni Mubarak of Egypt has called a national referendum seeking prematurely to dissolve parliament and hold fresh elections based on an amended electoral law in what observers see as a manoeuvre to head off constitutional challenges to his presidency.

The referendum is to be held on February 12. It will open the way for elections to be held within 60 days.

The present parliament, elected in 1984, is being challenged before the courts on the grounds that it is unconstitutional. Mr Mubarak himself comes up for re-election this year. A private citizen, Mr Kamal Khaled, a lawyer, filed a challenge to the electoral system because he was prevented from running as an independent at the 1984 election.

Under the amended electoral rule, passed late last year by a parliament dominated by Mr Mubarak's National Democratic Party, provision was made for the election of 48 independents. The government hoped this would satisfy constitutional objections to the composition of future parliaments.

Opposition groups protested against the amended law because it preserved the "party slate" proportional system based on the requirement that a party gain 8 per cent of the vote nationally to secure even minimal representation in parliament.

The now virtually moribund Arab League, umbrella organisation of Arab states, ordered at its Baghdad meeting in 1978 the suspension of relations with Egypt if it went ahead with the peace treaty. Countries argue that an Arab League resolution would be required to reverse the suspension order.

A senior Egyptian official cited four factors which had contributed to Egypt's move back towards the mainstream of Arab politics. These include its "material and moral" support of Iraq in the Gulf war, its reasonable behaviour in international and regional forums when under attack by Arab radicals, its attempts to assist in the Palestinian cause and its support of efforts by the Organisation of Petroleum Exporting Countries to stabilise oil prices, although Egypt is not a member.

Egypt is claiming credit for an apparently cordial meeting in Kuwait between Jordan's King Hussein and Mr Yasser Arafat, chairman of the Palestine Liberation Organisation. Dr Osama Al Baz, head of Mr Mubarak's political office, contributed to efforts to bring the estranged parties together.

King Hussein, in a February 1986 speech, expressed bitterness and disappointment at the failure of a joint Jordanian-PLO initiative to revitalise the peace process. Egypt has since worked hard to bridge differences between the King and Mr Arafat.

It remains to be seen, however, whether the Kuwait meeting will lead to any material change in Jordan's dealings with the PLO. The tiny kingdom is at present engaged in delicate efforts to secure quasi-autonomy for Palestinians in the Israeli-occupied West Bank.

Mr Mubarak's avuncular manner was almost certainly an asset in Kuwait. His good humour was in evidence when he entered the conference chamber hand in hand with President Assad after a "chance" encounter.

Egypt's leader extended an olive branch to Syria when he prefaced his address to the conference with the words: "There are a lot of things I could say but I am not going to say them," in reference to differences between Cairo and Damascus.

Mr Mubarak in his Police Day address gave an account of his exchange with Syria's leader. Egypt's President suggested a meeting in Damascus, Cairo or any other Arab capital to settle their differences, but "Assad asked me first to cancel the peace treaty and Camp David accords as a condition for a meeting. I explained clearly this cannot happen as it involves the destiny of the Egyptian people."

Egypt's peace treaty with Israel is likely to continue to be a significant obstacle in the way of its leadership ambitions in Arab forums. It has been, nevertheless, an important achievement of Egyptian diplomacy to manoeuvre back towards the mainstream without compromising Egypt's commitment to the Israelis and the Americans.

Chronic Arab disunity and the absence of a strong leader acceptable to radicals and moderates has created a vacuum which Egypt has been able to exploit. Fears among Gulf states of the Iranian threat have led them increasingly to turn to Egypt

Egypt's improved ties with its Arab neighbours has resulted in a sharp increase in visitors from the Gulf. The hotel lobbies of some of Cairo's leading hotels have been packed with Arab businessmen and tourists.

Egypt's interest in bolstering its position in the Arab world is not simply for political and diplomatic reasons. The Egyptian economy requires investment. It needs markets for its manufactured goods. Egypt would also be seeking a resumption of Arab aid, cut off when it signed the 1979 peace treaty.

Egyptian officials report that Saudi Arabia has provided cash assistance recently.

Western officials in Cairo have welcomed Mr Mubarak's good showing in Kuwait. Egypt's capacity to exercise a moderate influence in Arab counsels has, they believe, been enhanced. "The problems of the region don't change," said one senior Western ambassador. "It is just that Egypt's capacity to be centre-stage has changed considerably."

$200m debt rescue for kibbutzim

BY ANDREW WHITLEY IN JERUSALEM

A $200m government rescue package is being prepared for Israel's kibbutzim, the rural communes virtually synonymous with the country itself.

The package is designed to help the financially troubled communities reschedule a substantial portion of pressing short-term debt and provide an additional cash injection.

Once highly prosperous, as they diversified from their agricultural origins into industry, Israel's model socialists have in recent years found themselves in increasing difficulties. But the causes were largely outside their control.

Accumulated debts, built up during the country's years of high inflation, now top $500m (£328m). The interest burden alone averaged $140m in 1985 and 1986.

The Treasury's rescue plan, however, has inevitably become a political football, as so often in Israel, setting off a new confrontation between the two leading parties in the so-called National Unity Government.

The Labour alignment, which draws an important strand of its support from the kibbutzim, declared that it would refuse to vote for the 1987-88 national budget unless aid for the kibbutzim is previously approved. With shouts of "blackmail," Likud is countering by demanding additional help for its favourite causes, including Jewish settlements in the occupied territies.

Most independent observers would, however, agree with an editorial in Ha'aretz, the respected daily.

Declaring that the bale-out of the kibbutzim was unavoidable, the newspaper stressed that those who got themselves into a mess should be made to pay part of the price. It added that the aid should be selective, going only to those communities which were economically viable.

By coincidence, the Kibbutz Industries Association, an umbrella body responsible for much of its members' dealings with the outside world, has just released very impressive results for last year. These make clear that the plight of the kibbutzim is largely a financial one.

For the third year running, industrial exports, many of them sophisticated high-tech products from the kibbutzim, grew more than twice as fast as the national average. In 1986 their exports came to $348m, up by 19 per cent on the previous year.

Chinese call to oust party earns jail term

A SICHUAN University graduate has been jailed for seven years for a speech calling for the overthrow of the Communist Party, China Law News reported yesterday, Reuter writes from Peking.

The paper said Liu De, 29, had been found guilty on counter-revolutionary charges after making a speech to college students and teachers in which he attacked party policies.

The paper quoted Liu, who graduated recently from Sichuan University, as telling the audience at an industrial college: "I hope the people here will rise up and struggle together so that in 15 or 20 years time a new ideology can grow and a new political party can replace the Communist Party."

US Marines sail towards eastern Mediterranean

BY OUR MIDDLE EAST STAFF

TENSION was high in the eastern Mediterranean yesterday as the Pentagon announced that a second "amphibious ready group" of about 1,900 US Marines had set sail from Spain towards the area.

It is joining the battle group of at least 22 vessels of the US Sixth Fleet including the aircraft carriers Kennedy and Nimitz which are steaming on a "routine patrol pattern" south of Cyprus and close to Lebanon where three American hostages face a threat of execution on Monday unless Palestinian prisoners held by Israel are freed.

The White House yesterday refused to speculate "on any future course of action."

Four academics from Beirut University College, three Americans and an Indian, who were seized last month, face a death threat from the hitherto unknown Islamic Jihad (Holy War) for the Liberation of Palestine. Israel has categorically rejected its demand for the exchange of 400 imprisoned guerrillas.

The three Americans are among eight believed to be held hostage in Lebanon. The shadowy but well-established Islamic Jihad, an extremist Shia movement in Lebanon, has warned that two of them in its captivity would die if the US intervenes militarily

There was no news, meanwhile, about the fate of Mr Terry Waite, the Archbishop of Canterbury's envoy, who disappeared on January 21 in a bid to negotiate the freedom of the hostages in the hands of Islamic Jihad.

AMERICAN NEWS

Boesky probe extends to New York City official

BY WILLIAM HALL IN NEW YORK

MR HARRISON J. Goldin, the comptroller of the City of New York and a co-chairman of the powerful Council of Institutional Investors, is being investigated for his ties with Mr Ivan Boesky, the financier who is helping the US authorities uncover the insider trading scandal on Wall Street.

New York City's Department of Investigation, the city's watchdog agency, has launched a formal inquiry into phone calls that Mr Goldin made to help Mr Boesky raise funds for his investment company.

Mr Goldin, who denies any wrongdoing, oversees some $30bn of New York pension funds. He is one of the most influential institutional investors in the US.

The New York investigation follows concerns that Mr Goldin's money raising efforts for Mr Boesky might have involved people who did business with the city.

There is a growing belief on Wall Street that the investigations in the wake of Mr Boesky's agreement to repay $100m in illegal insider trading profits last November, is ranging far wider than insider trading and is embracing the whole question of corporate takeover tactics in the US.

Drexel Burnham Lambert, which has pioneered the use of "junk bond" financed takeovers and had close ties with Mr Boesky, has come under increasing scrutiny by the US authorities.

Mr Fred Joseph, Drexel's chief executive, has reacted angrily to persistent suggestions that his firm has been involved in any wrongdoing.

"We think that it is outrageous that in the midst of one of the most intense investigations of our industry's practices, the press is publishing speculation by unnamed sources about the results of such investigations. Such speculation does irreparable harm to the firm and individuals," said Mr Joseph.

Mr Rudolph Giuliani, the US attorney, has taken steps recently to curb other investigations into insider trading in the shares of Diamond Shamrock because he is concerned that premature disclosure of some of the information could damage criminal investigations.

Mr Dennis Levine, the former Drexel Burnham investment banker who sold inside information to Mr Boesky, has yet to be sentenced for his part in the insider trading scandal. Mr Boesky, who has agreed to plead guilty on one felony count, has also to be sentenced.

Colombia's alleged drug baron extradited to US

BY SARITA KENDALL IN BOGOTA

THE ARREST and extradition to the US of Carlos Lehder Rivas, alleged to be one of the world's major drug traffickers, have created a stir in Colombia.

Police raided a farm near the City of Medellin at daybreak, apparently unaware that Mr Lehder himself would be on the premises. He had been semi-underground since the government signed an order for his extradition to the US in 1984.

Mr Lehder and 14 bodyguards were captured and taken to Medellin. By early afternoon Mr Lehder was being flown to Bogota where the authorities immediately completed extradition papers. Mr Lehder left for the US in a small aircraft belonging to the drug enforcement administration and is being held under maximum security in Florida.

There are more than a dozen drug-related charges against him in Florida.

Last December Colombian police launched an anti-drug offensive after the director of a leading national newspaper was murdered for his campaign against trafficking.

Colombia is the world's chief cocaine exporter, and trafficking groups have acquired extraordinary political and economic power in the last decade.

Chilean confesses to role in assassination

By Lionel Barber in Washington

A FORMER Chilean secret police captain has confessed to being involved in the car bomb assassination of former ambassador to the US Orlando Letelier in Washington in 1976.

The murder of Mr Letelier, a prominent critic of President Augusto Pinochet's regime, aroused international condemnation and renewed criticism of Chile's record on human rights.

The testimony of the police captain, Mr Armando Fernandez Larios, who voluntarily returned to the US, implicates two other senior secret service agents. They are General Juan Manuel Contreras Sepulveda, the former chief of the Dina national security agency who reported directly to President Pinochet, and Lt Col Pedro Espinoza Bravo, the head of Dina operations who sent Mr Fernandez to spy on Mr Ortelier before the assassination.

Both Gen Contreras and Mr Espinoza have been indicted in the US for their part in the murder. In 1979 Chile's supreme court refused a US request for extradition.

Mr Fernandez referred to a meeting he had with President Pinochet around 1978 when he was being detained in a military hospital. When he expressed a desire to return to the US, President Pinochet was said to have remarked: "Don't worry, I will order you have no more problems at the hospital. Be a good soldier, tough it out and this problem will have a happy end."

According to the Washington Post, Mr Fernandez escaped from Chile after meeting with US officials in safe houses.

Last November, the US abstained in a vote on a $250m World Bank loan to Chile. The abstention—rather than an outright vote of opposition—drew criticism because it appeared to mark a softening of US position on human rights in Chile.

Mr Fernandez faces a jail sentence of up to 10 years for his part in the murder plot. He says his sole motivation for giving evidence was because he was consumed by guilt.

Tim Coone reports on the problems besetting a Brazilian-Argentina integration plan

Sluggish Argentine economy handicaps pact

JUST AS the traditional musical rhythms of Argentina's tango and the Brazilian samba are so different, the countries' two economies are moving at a different pace. Brazil is still pursuing high growth with strong internal demand, while the Argentine economy remains sluggish.

These differences are proving one of the major handicaps in the practical implementation of the agreement signed last July committing the two countries to integrate their economies.

Mr Miguel Fragine, the vice president of the Argentine-Brazil Chamber of Commerce, pointed to one of the first problems to be overcome: "We have been pushing for years to see these agreements. There now exists the political will in both countries at governmental level. In Argentina there exists the need as its industry is working at only 50 per cent capacity. But in Brazil, with industry working flat out trying to keep up with domestic demand, exports to Argentina are not presently being seen as a priority."

In Brazil, the impulse given at the beginning of last year to consumer purchasing power through the Cruzado plan has mopped up most of the consumer goods available and industry is now facing serious bottlenecks.

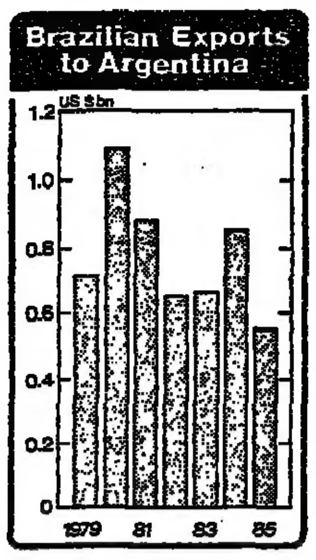
In Argentina the Austral plan has constrained demand for the past 18 months leading to empty order books and idle capacity as high as 80 per cent in worst-hit sectors such as construction industry. Ideally this would offer good potential for complementation.

Argentinian producers, however, have much higher costs of production than their Brazilian counterparts says Mr Miguel Fragine.

Dr Beatriz Nofal, the undersecretary for industrial development in Argentina's Trade and Industry Ministry is not so pessimistic however. For the goods that have been included in the first list that now enjoy zero tariffs in trade between the two countries, the maximum price differential is only 10 per cent, she says. With the price-hikes in Brazil at the end of December, the differential may even have moved to Argentina's favour.

Furthermore, the Argentinian concept of integration is to provide a cathartic shock to complacent Argentinian industrialists, accustomed to years of government protectionism. The elimination of all tariff and non-tariff barriers to trade on some 500 categories of capital goods came into force this January. The industries to benefit most will be those manufacturing machinery for the food processing, leather, machine tool, rubber, agriculture and packaging industries. Shipbuilding and oil rig construction will also be subject to zero tariffs.

The range of capital goods included in the accords is to be gradually expanded over the next four years with a target of bilateral trade in capital goods of $750m by 1990. Any imbalance in trade in capital goods will be corrected by channelling cash from a SDR 180m (£149m) fund into new investment projects to expand capital goods production in the deficit country. Any surpluses will be



ploughed back into the investment fund.

Solid proposals have been made in energy co-operation specifically the construction of a 1,800 mW hyroelectric dam on the Uruguay River between the two countries and the construction of a pipeline to feed surplus gas (presently being flared off in Argentina) to the energy-deficient region of southern Brazil.

Trade in foodstuffs is also to be increased. Other protocols set the ball rolling for greater co-operation in the steel, nuclear and aeronautical industries. Two further protocols are expected to be presented for signature at the next presidential summit in June covering trade in vehicle components and manufactured food products.

"If we consider where we were one year ago, we have made some considerable advances along the road to integration," said Professor Paulo Renarto Souza, the rector of Campus University in Sao Paulo and a longtime advocate of a Latin American common market.

He warned that the existing high interest rates in both countries would stifle new investment—a view shared by Professor Ferdinando De Oliviera Figueroa, head of the Economic Institute at Campinas University which provides the think tank backing up President Sarney's economic team.

"The lack of a long term capital market in both countries remains a serious weakness, even though the political and institutional problems have been resolved," he said. He blames the foreign debt and efforts to maintain large trade surpluses to service the debt for the underlying inflationary pressure and for the high interest rates being used to control the inflation.

More important still for Argentina is the fact that integration with Brazil is now a fundamental pillar of the Government's long-term industrial strategy. Dr Nofal admits that apart from a programme to encourage export-led industrial growth, if the integration project fails to take shape, the Government will be left without an industrial development plan.

Whereas Brazil could grow and develop without Argentina, the reverse is not the case in the planners' mind in Buenos Aires.

One further and more complicated obstacle lies in the path of a common market. One protocol that should have been signed in Brasilia last December was to have promoted collaboration in the two countries' military industries. The Brazilian army is thought to have blocked the agreement.

Both countries have substantial military industries which are inherently competitive and possess a growing export potential. Key raw material supplies to industries such as steel, aluminium and petrochemicals could also be seen as strategic sectors which must remain in exclusively national control.

"Neither side wishes to relax control or share information with the other," says Dr Joao Quartim de Moraes, head of the Strategic Studies Unit at Campinas University.

According to Prof Figueroa, the objective behind the integration strategy is to break with the structural dependency of Latin America on the industrialised north; namely the US and the EEC, and to establish a new economic power centre capable of negotiating on equal terms with both industrialised power blocks.

The Brazilian and Argentinian armed forces, both with strategic interests tied to the US, and important industrial sectors under their control, therefore represent a potential Trojan Horse which could undermine or block the economic integration plans. "That will not change until the military doctrine is changed to one of creating an independent and credible military force in Latin America," said Dr Quartim.

Tough stance on interest rates expected at debt talks

BY TIM COONE IN BUENOS AIRES

ARGENTINA is to take a tough stance on interest rates and debt capitalisation with its foreign creditor banks in talks expected to begin before the end of this month.

Finance Ministry sources were quoted in a leading daily newspaper this week saying that a reduction of 10 per cent in the overall level of interest during 1987, equivalent to $260m, is to be demanded.

This would be achieved through a reduction in spreads in interest rates on the debt from 1½ percentage points over the London Inter-Bank Offered Rate (Libor) to ¾ of a percentage point over Libor. This would be lower than the 13/16 per centage points obtained by Mexico in its package, now being finished.

Argentina's debt with the foreign commercial banks is $33bn out of a total foreign debt of $52bn. The last loan package agreed with the banks was for $4.2bn in 1985.

The Argentine Government has not revealed the sum it is seeking in its next refinancing package although a figure in the region of $2bn in new money for 1987 and 1988 is thought by foreign bankers to be the most likely sum that Argentina would be able to obtain.

The government is also insisting in eliminating the so-called on-lending clauses, arguing that they create problems in controlling inflation, which is now a top priority of economic policy. The mechanism allows foreign banks to on-lend part of the dollar loan package in local currency to specified customers.

Most of the dollar loan however is utilised for servicing the foreign debt or for meeting other balance of payments obligations. On-lending is therefore seen as an important inflationary mechanism. It also permits the foreign banks to generate substantial income in local currency, which is why they have been insisting on maintaining the on-lending provisions.

A similar argument is being used over the debt capitalisation scheme. The government is insisting that any debt-for-equity swaps would have to be matched by new inward investment of one new dollar for every dollar of debt that is capitalized, and that it would have to be controlled in line with money supply targets.

Foreign bankers in Buenos Aires consider the Argentine proposals to be unrealistic and worry that a generalised reduction of spreads on Latin America's debt, such as that proposed by Argentina, would result in unacceptable reductions of bank income.

The on-lending removal would reduce local subsidiary earnings and few foreign investors would be interested in bringing fresh dollars to Argentina under the proposed capitalisation scheme until investment conditions improve and Argentine investors themselves begin returning funds from abroad for investment purposes.

WORLD TRADE NEWS

World Bank approves $300m loan to Indonesia

By John Murray Brown in Jakarta

THE WORLD BANK has approved a $300m (£214m) trade policy adjustment loan for Indonesia. The move is seen as further evidence of the country's severe economic downturn.

The loan which will be in a single tranche, and disbursed immediately, will provide balance of payments support while the Government adjusts to falling revenue from oil, its main export.

Such funding which is distinct from project finance is the first of its kind to Indonesia. The Philippines is the only other regional target for such a loan that is more commonly associated with Africa than South-East Asia.

The loan will be for 20 years with seven years' grace and the interest payments linked to the cost of the bank's borrowings, currently 7.92 per cent.

The bank said the loan reflected the Government's steps to restrain spending through a 24 per cent cut in last year's development budget; maintain an appropriate exchange rate including a 31 per cent devaluation of the Rupia; and trade policy reform.

World Bank officials said that the loan was not conditional on further specific measures but rather a "continuation" of the reforms, which have included the introduction of import tariffs in place of quotas, and the scrapping of several trade and import monopolies, often said to be the main cause of Indonesia's high cost economy.

Yesterday's statement said the World Bank will "monitor" the Government's implementation of these reforms.

The Government had earlier restructured the banking structure, made a major overhaul of the tax system, and reformed the customs and excise sector.

Continuing trade reform is seen as essential to encourage foreign investment and encourage non-oil exports at a time when the Government is moving away from its dependence on oil earnings as the main stimulus to the economy.

One Western banker said this week: "De-regulation in the financial sector has not so far been matched by reforms in trade and investment."

Peter Montagnon assesses the chances of a new framework trade finance agreement designed to boost British exports

Wary exporters pin their hopes on Anglo-Soviet trade initiative

MR Paul Channon, UK Secretary of State for Trade and Industry, could be forgiven a note of caution when he announced a new framework trade finance agreement in support of British exports to the Soviet Union this week.

Memories die hard in the exporting business. Many still remember the ill-fated £1bn trade agreement reached by the Wilson Government 10 years ago which lapsed in 1980 without producing anything like its cost in extra business.

This time the Government and the Export Credits Guarantee Department are being careful not to put any specific figure on their new agreement, but the hope is that it should provide a substantial boost to Britain's flagging sales to the Soviet Union.

On the surface it looks as though such hopes could be justified. In the background is the stated desire of Soviet Premier Mr Mikhail Gorbachev to boost trade between the two countries by 40 to 50 per cent, which goes back to his meeting with Mrs Thatcher in December 1984. The size of bank credit lines now being arranged—Midland has announced one of £250m and Lloyds an initial £200m—and a straw poll of several leading exporters also suggest that business worth many hundreds of million of pounds could be in the offing.

Yet exporters are still rather cautious. Though several projects are under negotiation, none has actually reached the letter of intent stage. Many are worried that even the financing available under the new agreement may not be quite generous enough to tip the business their way.

Soviet importers traditionally require financing to be made available in the currency of origin of the goods they are buying, but they also like to obtain as low a nominal interest rate on the finance as possible. That has always put British exporters at a disadvantage because rates on sterling finance are much higher than those available in strong currencies like the Yen and D-Mark.

With the new accord the UK has scored a breakthrough of a sort as the Soviet side agreed to accept financing in European Currency Units (Ecus) that carry a lower interest rate than sterling. Yet this still leaves two problems unresolved.

First, Ecu rates are higher than those on D-Mark and Yen finance. Second, the rates set out by the ECGD under the agreement are still set at the internationally agreed consensus level. Where financing is provided at lower cost, which the Soviets are likely to demand, the exporter is expected to make up the difference in terms of the contract price.

Mr Paul Channon

According to Mr Ian Bowler, chairman of International Management and Engineering Group which is part of a consortium bidding to provide between £150m and £200m of equipment for the Urals gas condensate complex, interest rate provisions set out in the agreement are cosmetic and "won't generate really big business from the USSR."

This is a worry shared by Davy McKee which is bidding to build a £600m polyester fibre complex at Blagoveschensk. Mr Peter Waite, a Davy director, says that any improvement in the official financing arrangements has to be beneficial, but: "I don't know how we're going to accommodate the difference between the consensus rates and what the Russians require.

"We're in competition with Germany and Japan, who tend not to be over-constrained by things like consensus rates. Clearly they'll be bringing in whatever extra features they can."

Similarly, John Brown Engineers and Construction says it is meeting stiff Italian and Japanese competition for its bid to construct a polypropylene plant at Buddyonnovsk.

Other exporters, however, are more sanguine: Courtaulds Engineering International is talking to the Soviet Union about contracts worth between £20m and more than £50m to modernise existing fibre plants. Mr Geoffrey Bray, chairman of Courtaulds Central Trading which looks after Eastern Europe, says the new agreement should be helpful as the company is now approaching the financial stage of the negotiations.

Among other potential contracts for British business is a £300m industrial process plant for which Simon Carves and GEC are bidding, while Babcock Contractors says it is looking at a project to provide a compressed natural gas cylinder installation at Dnepropetrovsk for use in the automotive and light trucks industry, as well as some projects in the glass industry.

Altogether this adds up to a potentially large increase in UK exports to the Soviet Union which are running at an annual rate of some £540m. The hope is that Mrs Thatcher will return from her visit to Moscow at the end of next month with one or more major contracts in the bag.

Some exporting companies say they detect a new interest on the part of the Soviet Union in purchasing British goods which has emerged as negotiations on the trade finance agreement proceeded. That being so, they believe that Soviet negotiators may become more flexible when it comes to the financing arrangements.

For the time being, however, such hopes remain an act of faith. The true value of this week's agreement has yet to be put to the test.

Philips, Sony consider mini-compact disc

BY LAURA RAUN AND DAVID THOMAS

Philips of the Netherlands and Sony of Japan, the two consumer electronics companies that developed the compact disc, are considering launching a mini-size compact disc similar to traditional single records.

Worldwide sales of singles have been declining as music buyers have switched to LPs and tapes.

The single market remains important for music companies, partly because it is used to promote artists and LPs, and some music industry observers believe a single-sized compact disc could help revitalise the entire market.

The talks held recently between Philips and Sony centre on technological standards as well as marketing aspects. Philips has suggested a 3¼ in mini-disc, which would carry about 20 minutes of music, while Sony is believed to want a smaller size. The regular format 5 in compact disc has up to 75 minutes.

Philips, the world's second largest electronics concern, opposes a whole new player for the tiny disc because it would be expensive to develop and buy. The Dutch company favours an adapter for the standard-size compact disc player.

In general, Philips is cool to the mini-disc, arguing that the consumer would be confused by yet another new music gadget at a time when digital audio tape (DAT) recorders are imminent, and regular-size compact disc players are just catching on. Enough software also could be a problem, Philips contends.

Sony appears more eager about the mini-disc, which would be even smaller than the portable compact-disc players now on the market. Given the tremendous success of its Walkman cassette player, Sony may want to try to do the same with the high-quality compact disc.

Polygram, Philips' music production subsidiary, says it could produce enough music for the mini-disc if it is introduced and that a major source of software probably would be the huge inventory of traditional single records.

Hopes rise for Italian-UK telecom links

BY ALAN FRIEDMAN IN MILAN

PROSPECTS for Anglo-Italian industrial collaboration in the telecommunications sector, "have never been better," according to Mr John Butcher, the British Parliamentary Under-Secretary of State for Industry, Mr Butler has just completed two days of talks with ministers and companies in Rome and Milan.

"I am satisfied that the Anglo-Italian environment is conducive to a commercial agreement," Mr Butcher said. He added that it would appear that in terms of markets, technology and the kind of European telecoms environment which is desirable there is a mutual and complementary set of interests between Britain and Italy."

Mr Butcher held talks with Italtel and Telettra, the state and private telecommunications companies.

He left Milan declaring that the Italian and UK Governments are in "full agreement" on equipment supply issues, on how the European telecommunications market should be developed, and on research and development priorities.

Mr Butcher said he had not discussed specific collaborative ventures, but it was "now up to the companies concerned to see whether they would like to take the advantages which are available."

Although he declined to comment on specific negotiations, the Italians are keen to intiate contacts with GEC, Plessey and other UK companies regarding prospects for a joint venture

Specifically, the Italians would like to explore prospects for a joint venture in switching and data transmission involving Telit, the telecommunications manufacturer, which will result shortly from the merger of Fiat's Telettra subsidiary and Italtel, the much larger subsidiary of the IRI-Stet state holding group.

Mulroney hits at Yeutter on trade talks

By Bernard Simon in Toronto

CANADA'S Prime Minister Brian Mulroney has lashed out at Mr Clayton Yeutter, US Trade Representative, for "stunning ignorance" in proposing to include Canadian cultural industries in the bilateral free trade talks.

This comes at a time of friction between Ottawa and Washington on several trade issues, and amid growing signs that whatever emerges from the eight-month-old talks will fall well short of a comprehensive trade liberalisation agreement.

The Canadians are upset that Mr Yeutter's comments follow a commitment by Vice-President George Bush, that the US would avoid public statements on politically sensitive aspects of the talks.

US business has for years protested against Canadian subsidies and tax deductions which favour broadcasting, film production and book and magazine publishing.

But many Canadians view these measures as indispensable to keeping a separate cultural identity.

Egypt seeks more credit for military purchases

BY TONY WALKER IN CAIRO

EGYPT has expressed an interest in securing further credit from Britain to finance purchases of military equipment.. This follows the utilisation of an existing £150m credit line for defence procurement.

Lord Trefgarne, Britain's Minister of State for Defence Procurement, said the question of additional ECGD-backed funds had figured in his discussions with officials in Cairo this week.

Lord Trefgarne had talks with Field-Marshal Abdul Halim Abu Ghazala, Egypt's powerful Defence Minister, and Mr Gamal el-Sayed, Minister of State for Military Production.

He had informed his Egyptian hosts that while it "would not be possible to do anything immediately," the request would be given "careful consideration."

Britain's defence industry has been urging the Government to provide additional credit to Egypt. "We're pressing hard for this because the potential for follow-on business is very good," said a Cairo-based businessman whose company has secured contracts under the £150m credit line.

"If we could get another £150m loan, it would be snapped up by the Egyptians," he added.

Lord Trefgarne's visit to Cairo, which he said was aimed at helping to "create an environment for British companies to work in," coincided with the completion of most, if not all, contracts awarded under the £150m credit line.

The funds were divided £94m to the Ministry of Military Production and £56m to the Ministry of Defence.

Cementation International of the UK in partnership with the Athens-based Consolidated Contracts Company, has been awarded a £36.6m contract for construction work at a new military city west of Alexandria at el-Hammam.

Unitetd Builders Merchants has a £24.9m contract to supply building materials and construction equipment for the same project.

Dorman Long Overseas, a subsidiary of the UK's Trafalgar House Group, has been awarded a £32m contract to supply structural steel components for a tent factory near Cairo.

Plessey of the UK has been awarded two contracts by the same ministry.

UK NEWS

Four resign from Lloyd's council to speed reforms

BY NICK BUNKER

FOUR members of the ruling council of Lloyd's of London have resigned in a move aimed at speeding reforms recommended by last month's Neill report on its standards of self-regulation.

Sir Patrick Neill's government-appointed inquiry team published on January 22 some 70 recommendations following a year-long investigation of Lloyd's self-regulatory standards.

The four men who have now resigned from the council are all senior practitioners in the Lloyd's insurance market. Their resignations mean that Lloyd's can press ahead immediately with a constitutional shake-up aimed at reducing the influence of insurance professionals over the council's decisions.

The Neill report recommended a reduction from 16 to 12 in the number of Lloyd's professionals who sit on the 28-strong council.

Lloyd's also approved at a council meeting on Wednesday another 12 of the Neill report's recommendations, Mr Alan Lord, the market's chief executive, said yesterday.

Among the changes Lloyd's plans to implement immediately will be the creation of a new names' interests committee, with the job of protecting the 30,000 individuals who provide the market's working capital.

The Neill report found that Lloyd's had failed to safeguard its members adequately in three main areas, including its drafting of a standard underwriting agreement which defines members' relations with their professional agents in the market.

Mr Lord told reports that Lloyd's has also set up a series of working parties to examine ways of implementing the rest of Sir Patrick's proposals, including his recommendation of a much tougher line against so-called "parallel syndicates."

None of the report's findings have been flatly rejected by the council, but there was detailed work to do before Lloyd's could approve them all, Mr Lord added.

"We are well disposed towards the recommendations in principle," he said. "But since many of them were not worked out in detail we would not expect to sign a blank cheque."

The four men resigning from the council all tendered their resignation over the last week, Mr Lord said. They are Mr Patrick Bird, Mr Richard Ballantyne, Mr John Greig, and Mr Frank Barber.

The reforms approved this week also mean that "nominated" members of the council – who are outsiders appointed with the Bank of England's approval – will chair four of the council's key committees, including the names' interests committee, the rules committee which draws up bye-laws, and the investigations committee which examines alleged misconduct.

Sir Patrick told reporters in January that he "would expect most of the recommended reforms to be in place within a year." The 1982 Lloyd's Act gave the market sufficient powers to implement all of them without asking Parliament for new legislation, he said.

Sir Patrick's report followed a year of work since Mr Leon Brittan, then Trade and Industry Secretary, announced he was establishing the inquiry.

Mr Brittan's announcement followed parliamentary concern over three things. First the PCW, Howden and Fidentia scandals of late 1982, which involved huge misappropriations of Lloyd's names funds by market professionals. Second, the resignation in 1985 of Mr Ian Hay Davison, Lloyd's chief executive, and the man most closely identified with the post-1982 reform programme. Third, the Government's deliberate exclusion of Lloyd's from the investor protection regime

British Airways staff urged by unions to surrender share votes

BY DAVID BRINDLE, LABOUR CORRESPONDENT

TRADE UNIONS representing the 40,000 employees of British Airways are urging their members to sign over to the unions the voting rights on the shares being allocated to the workforce under the airline's flotation.

The move, which could in theory give the unions a powerful vote of up to 10 per cent of the company's share capital, is said to be without precedent in the UK and is a clear sign that the labour movement is coming to terms with privatisation.

The deadline for applications for BA shares expires at 10 am today, with indications that many airline staff have lodged bids for shares over and above the £95 allocation they will each receive free.

The unions, grouped on the staff side of the national joint council for civil air transport, have launched their initiative in letters sent to BA employees at home by, the Co-operative Bank and Unity Trust, the union bank.

Enclosed with the letters are forms by which the employees can allow the union side of the national joint council to cast the votes on their shares. By the start of this week, only four days after the letters were mailed, more than 1,000 forms had been returned to the unions.

Mr Mick Martin, the Transport and General Workers' Union's national secretary for civil air transport, said yesterday: "Judging by the early response, we are going to have a very big vote to take to shareholders' meetings."

In addition to the allocation of free shares to its employees, BA is offering a two-for-one arrangement whereby staff can opt to invest up to £150 and will receive shares worth £450. The airline is also offering staff a further £2,000 of shares at a discount of 10 per cent and is giving them priority for no-discount applications beyond that.

About one-third of the UK workforce has put aside a total of £8m in deferred share options under an existing profit-sharing scheme.

Richard Tomkins adds: As today's deadline for the £900m share offer approached, the airline's advisers remained confident that it would be healthily oversubscribed but they hoped to avoid the need for a ballot.

The grey (unofficial) market being made by Cleveland Securities in advance of official dealings was unchanged last night at 82p/86p. Stock Exchange dealings begin next Wednesday afternoon.

Telephone engineers prepare for weekend peace decision

BY CHARLES LEADBEATER

BRITISH TELECOM'S (BT) 110,000 striking engineers will vote at mass meetings on Sunday on whether to accept a settlement which union leaders hope will emerge from continuing negotiations over the pay and conditions dispute.

Talks aimed at ending the strike, which started 12 days ago, went on until late last night. Mr John Golding the National Communications Union's (NCU) general secretary, said: "There is no reason to believe that we will not get a settlement in time for members to vote on Sunday on the question of whether they will accept a pay deal and return to work."

However, Mr Mike Bett, BT's managing director of inland communications, gave a warning against optimism that the talks would produce a deal in time for the mass meetings.

The union's executive will meet today to decide whether to recommend a return to work. BT wants to introduce wide-ranging changes to working practices as part of the 1986 pay settlement, while the NCU wants pay and productivity measures to separated. Both sides said yesterday that they were some way from a detailed settlement.

While BT executives said they had not made a new offer to the engineers, it is understood they are repackaging it to meet some of the union's demands. This may involve dropping some of the efficiency measures, and clearly identifying parts of the offer as payments for the introduction of the changes.

In addition, BT may add on this year's pay offer to create a two-year deal and thus loosen the link between pay and the introduction of efficiency measures. The 1987 pay award is due from July 1.

Local NCU officials ysterday criticised the union's leadership for calling mass meetings to consider a return to work while negotiations were continuing.

Agency for north given backing

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE GOVERNMENT is to give what civil servants say will be "as fair a wind as possible" to the emergent Northern Development Company (NDC), making it the nearest thing possible to the Scottish and Welsh Development Agencies without actually being a totally funded public body.

The NDC is supported by 180 leading businesses in the north-east of England and Cumbria, as well as by the TUC, the CBI and local authorities in the region. Its job will be to promote industrial development and economic regeneration in the north.

Last week the North of England Development Council – the inward investment agency which has played a vital role in attracting overseas and particularly Japanese companies to the north-east – voluntarily submitted to absorption by the new body.

The NDC was taken by surprise yesterday when it learned that a meeting its leaders were to have today with Mr Paul Channon, the Trade and Industry Secretary, would also be attended at least by two other cabinet ministers – Mr Kenneth Clarke, the Paymaster General, who speaks on employment in the House of Commons, and Mr Nicholas Ridley, the Environment Secretary.

MPs insist on bank investor protection

By Michael Cassell

THE GOVERNMENT was yesterday defeated in its attempt to prevent the introduction of clauses into the Banking Bill which are designed to improve levels of investor protection for depositors.

Mr Anthony Nelson, (Conservative) successfully piloted through the committee stage of the bill proposals which will require all UK banks to have a minimum number of non-executive directors and to establish audit committees, comprised of non-executive directors, to monitor the banks' activities.

Mr Ian Stewart, economic secretary to the Treasury, attempted to prevent the clauses being accepted. He emphasised his support for the greater use of non-executive directors and of audit committees but, emphasised that ministers were not persuaded of the need for statutory arrangements.

Mr Stewart said that a Bank of England consultative document on audit committees had just been circulated and offered to introduce the concept at the report stage of the bill. He said later: "The clauses are unworkable. It would not be practical to impose such requirements on all institutions regardless of their size."

He added: "I am in favour of the greater use of non-executive directors and audit committees for companies of an appropriate size. That does not, however, mean that it is practical to initiate specific and detailed legislative requirements under current circumstances."

After the 10–9 vote in favour of his proposals, Mr Nelson, who played an important role in helping to tighten investor protection measures in the Financial Services Act, said they represented a significant step in securing greater protection for bank depositors.

The measures could be rejected by the Government when the bill returns to the House of Commons, but Mr Nelson said there was growing support among MPs for the proposals and he said it would be difficult for ministers to be seen to go against the tide running in favour of greater depositor protection.

Auditing reforms rejected as impractical

By Andrew Taylor

A SERIES of government proposals which, if implemented, would materially alter the way in which company auditors are allowed to operate were rejected yesterday by Britain's biggest professional accountancy body.

The Institute of Chartered Accountants in England and Wales, with 23,000 practising members, is the last of the four major accountancy bodies to reply to a Government consultative document. The paper, published last August, set out a series of options for the running of the profession.

In a 54-page submission, the institute rejected proposals which would require companies to change their auditors every five years and would prohibit auditors from doing consultancy work for firms for which they carry out audits.

It said the proposals would be ineffective, impractical and add considerably to audit costs met by industry and commerce. The Scottish and Irish institutes for chartered accountants and the Chartered Association of Certified Accountants have similarly rejected suggestions for compulsory rotation of auditors and segregation of auditors business interests.

Instead, the English and Welsh institute has proposed the statutory introduction of US-style audit committees for public limited companies. These would be chaired by non-executive directors. The committee would be able to interview auditors to ensure the integrity of an audit.

Introduction of audit committees would be less costly and more effective in identifying and combating audit failures than the restrictive options suggested in the Government's consultative paper, the institute said.

The consultative paper was published in response to the eighth in a series of EEC directives aimed at harmonising company law and procedures in the European Community.

The directive requires new legislation to be in place by January 1 next year.

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Welsh pit plan hinges on six-day working

BY MAURICE SAMUELSON

BRITISH COAL is likely to decide today to build an £80m pit at Margam, South Wales, to supply coal to the nearby steelworks of Port Talbot and Llanwern.

If the scheme is approved, British Coal will insist that in order to maximise return on its investment, Margam must produce coal six days a week, instead of the five-day working week introduced at the time of nationalisation 40 years ago.

The scheme, which will create more than 800 jobs, will be the biggest investment in the South Wales mining industry. The National Union of Mineworkers has not yet been officially informed of the six-day production plan. However, it is likely to see it as a major departure from its present national agreement.

British Coal, which wants to start work on the scheme later this year, will also ask the Government for a regional grant, like those available for private investment in South Wales.

Asked about the six-day production plan, Mr Kim Howells, research officer of the South Wales NUM, said yesterday that the Margam pit was "still a mirage." He added: "I don't think any union would give an undertaking on behalf of a workforce that at present does not exist.

Moves on Scottish plant

THE Scottish Office is ready to explore the possibility of other earth-moving equipment manufacturers taking over the Caterpillar plant at Uddingston, near Glasgow, which the US company intends to close within 15 months. For the moment, however, it is continuing to press Caterpillar to change its mind on the closure and keep the plant open. The plant is currently occupied by the workforce, who have rejected management appeals to abandon their occupation.

British companies double level of US acquisitions

BY DAVID THOMAS

BRITISH COMPANIES spent $13.9bn ($9.3bn) on acquisitions in the US last year, more than double the 1985 level and far outstripping direct investment by British companies elsewhere, according to a survey by a London-based corporate finance adviser, J.P. Mervis.

The survey also casts doubt on the belief that many British acquisitions in the US end in failure. Consumer products and services was the largest sector by value in 1986, mainly because of Unilever's $3.1bn acquisition of Chesebrough-Ponds. As in 1985, financial and corporate services was the most popular sector by number, with 36 acquisitions last year.

The total value of acquisitions in the building products sector increased by nearly four times compared with 1985. Electronics companies made a large number of acquisitions, though of comparatively low value.

In 1986, British companies acquired a total of 229 businesses in the US compared with 160 in 1985, bringing the total since 1978 to 1,041.

The top 30 acquisitions in 1986 accounted for $10.8bn, 80 per cent of the total value. The study also identified 33 divestments by British companies in the US last year. The total sale price exceeded the total acquisition price by $116m in those 12 divestments where the information was available.

Some UK companies were particularly acquisitive last year, with seven making a total of 38 deals between them: Tarmac (7), BP (6), Hawker Siddeley (5), and four each for Blue Arrow, Bunzl, Cookson, Morgan Crucible and Thermal Scientific.

The survey says that fluctuating exchange rates had little impact on UK companies' appetite for US companies. The pace of acquisitions increased in the last four months of the year, usually a quiet period, as US vendors hurried to beat the 1987 increase in US capital gains tax.

The US north-east's share of British acquisitions fell in 1986, although it still had the highest number. There was an upsurge of acquisitions in the Mid West.

Using published information, the survey also says that about 80 per cent of British acquisitions made in 1981 have proved successful.

It says: "The stereotype image of gullible British buyers crossing the Atlantic in droves to be sold white elephants by avaricious US marketing men probably does not hold true so frequently nowadays."

The survey excludes new capital invested by British companies in their US subsidiaries and property and portfolio investment. It covers only acquisitions of more than $500,000.

US Acquisitions Survey. J. P. Mervis & Co, 2 John Street, London WC1N 2HJ

TOP 30 ACQUISITIONS BY SIZE 1986

Purchaser	Acquisition	Price $m
1 Unilever	Chesebrough-Ponds	3,100
2 Prudential	Jackson National	607
3 ICI	Glidden	580
4 Boots	Flint Laboratories	555
5 BP	Purina Mills	545
6 Siebe	Robertshaw	466
7 Saatchi & Saatchi	Ted Bates	450
8 Dee Corporation	Herman's Sporting Goods	414
9 Redland	Genstar Stone	317.5
10 Sedgwick	Crump	307
11 Smith & Nephew	Richards Medical	283.9
12 Beazer	Gifford Hill	283
13 Pilkington Brothers	Libby-Owens-Ford (div)	250
14 Reed International	Technical Publishing	250
15 BP	Hitco	240
16 Rowntree Mackintosh	Sunmark	230
17 Tarmac	Lone Star	225
18 Hanson Trust	Kaiser Cement	200
19 Lonrho	Diamond A Cattle	180
20 Guinness Peat	Forstmann Leff	156.7
21 BPCC	Providence Gravure	152.5
22 RTZ	Celanese (div)	138
23 Reckitt & Colman	Durkee Famous Foods	120
24 BPCC	Webb	111
25 Reuters	Instinet	102
26 Barclays	VISA	100
27 Schroder Wagg	Wertheim	100
28 Debron Investments	Guilford Industries	94.2
29 Marley	General Shale	93.9
30 Saatchi & Saatchi	Dancer Fitzgerald	75
31 Siebe	Ranco	75
		$10,801.7m

Source J. P. Mervis & CO

Alan Cane reviews how City computers coped with deregulation

Technology rush exacts a heavy price

THE CITY of London is now paying the price for the hurried and sometimes thoughtless way it prepared technologically for Big Bang.

On the surface things are quiet enough, but beneath there is a ferment of activity as firms prepare to ditch ad hoc computer systems thrown together to meet the October 27 deadline and replace them with robust, well-designed hardware and software.

The problems and the expense involved are much greater than many had bargained for and it looks as if the technologists will be busy for many months to come. "There is still so much to do," is the commonest complaint.

To be fair, the electronic dealing and settlement systems installed by the stock exchange and by its member firms are coping with the present, unprecedentedly high, level of trading – but in many cases, only just. The race now is to improve performance, capacity and reliability to acceptable levels before the next surge in the market.

A few examples will give a flavour of the kinds of problem which remain to be surmounted:

- The stock exchange is receiving some 200 orders a month for Topic market price terminals but will remain short of computing power to meet the demand until the middle of the year.
- A settlement system installed at one market maker to handle a maximum of 2,500 bargains a day is regularly handling 8,000.
- Some broker/dealers are refusing point-blank to deal with certain market makers because they are afraid they will not be able to settle their bargains, so shaky are their computerised procedures.

Technology in the City is a complex issue because of the numbers of separate computer systems involved. The stock exchange itself provides price and other information through Seaq (Stock Exchange Automated Quotations System) and settlement services through two further computer systems, Charm and Talisman.

Mr Michael Baker: contingency plans vindicated

Each member firm has an information distribution system which may be as simple as a Seaq monitor screen or as complex as an in-house computer. It also has to settle its accounts with its clients, either via its own computer system or by buying time on a computer bureau system.

So if there are "bugs" (faults) in the multiplicity of systems spread through the City, it is hardly surprising. The real surprise is that the technology has held up so well: "It is amazing, brilliant and a miracle," said Mr Tim Simon, chairman of the major stock processing bureau CCF, with understandable hyperbole.

Seaq (the complex which also includes the Topic and Epic computer systems), has proved stable, reliable and popular with traders after its disastrous debut when an undetected bug caused the system to fail unexpectedly and spectacularly.

This has been helped by a change of policy at the exchange itself; if there are problems, Seaq is not suspended in its entirety. Instead, a message is superimposed on the screen warning that prices are indicative rather than firm until the full service is restored.

Mr Keith Goldie Morrison of Keith Bayley Rogers, chairman of the exchange's quality of markets committee, says dealers can continue to trade uninterruptedly in such conditions.

The new bottleneck in the system is the use of the telephone for dealing. "Whereas in the old days, the price distribution system could not keep up with the dealings system, now the reverse is true," he said.

He hopes that the introduction of Saefs – the automatic execution facility for small orders, which should go live in the first quarter of 1988 – will alleviate the traders' frustration.

The exchange information services division under Mr George Hayter is pressing ahead with a number of initiatives in addition to Saefs, all aimed at securing the exchange's position as a leading vendor of stock market information systems.

It hold be able, for example, to offer "Orbit" as a commercial product by April or May. This is a dealer workstation system comprising several personal computers linked in a network and able to accept information feeds from companies like Reuters, Telerate, Quotron and the stock exchange itself.

A prototype is alread in use at the major market maker Hoare Govett. The launch of Orbit will bring the exchange into direct competition with other companies offering dealer workstations, a prospect Mr Hayter seems to enjoy: "This is to ensure that we occupy the desk space in front of the dealer," he says.

The exchange has too much invested in Seaq, Topic and Epic to throw away its existning systems but it does intend to rethink fundamentally the technology it will use in the future to disseminate market information.

An internal task force is being drawn up to work out the detailed requirements for the "Seaq of the future."

In the meantime, efforts are being made to improve the much criticised gilts price service. A new service called "Gems" will shortly be launched which will give each gilts market maker 20 "pages" of screen information, the first 10 setting out two way (bid and offer) price information in a standard form, the remainder free for the market maker to design in any way he chooses.

Mr Hayter hopes that Gems will bring a visibility to the gilts market on Seaq that has so far been missing.

Information systems are appealing but in the last analysis, inessential. Settlement systems are dull and complex but vital if traders are to know their position.

Everybody admits that the City neglected its all-important settlement systems, which is why the settlements process in virtually every firm is now stretched to the limit.

Their saving grace has been Talisman, the stock exchange settlement computer which has proved firm as a rock. "It has held up well. It is something you can rely on," one market maker said this week.

The sheer volume of trading after Big Bang took everybody by surprise when settlement departments were still reeling from the onslaught of the flotation of the Trustee Savings Bank.

Mr Michael Baker, head of the settlement division, made contingency plans for an average settlement rate of 40,000 bargains a day in 1986-87 with the ability to handle 60,000 bargains a day over an extended period and the occasional "flashpoint" of 90,000 bargains a day.

With average daily settlement rates running between 40,000 and 50,000 bargains a day, Mr Baker has not proved over prudent.

The division's chief project now is the implementation of "Taurus," which will do away with paper share certificates, replacing them with electronic records.

It will cost £6.3m and should be implemented in early 1989. "We cannot do it any faster," said Mr Bill Widdes, assistant director of settlement division. "The characteristic of the systems we build is that they work."

That remark characterises the technological developments going on throughout the City now. Given the chance now to do things properly, they are spending money more carefully, taking time to get the fundamental design right, building on the basis of known market volumes rather than guesswork.

They have learned from hard experience what happens if they take a softer option. As one settlement specialist said: "Bargains are getting into the system, and they are being settled – but we just do not know if we have made a profit or loss."

Tomorrow: what investors think

Rolls-Royce buys US computer system

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

ROLLS-ROYCE, the UK aero engine group which is soon to be privatised under the Government's denationalisation programme, is spending around £25m on a five-year contract for a new computer-aided design and manufacturing system (Cad/Cam).

The system, to be provided by Computervision, the US-based Cad/Cam group, will be one of the largest installed in the UK. It will be used to help integrate the company's entire engineering processes, from the original design of an engine, through to its testing and development, and finally the manufacturing processes by which it will be made.

Analysts say that the Cad/Cam market in the UK is still relatively buoyant, although the growth rate has fallen from around 30 per cent a year two years ago to about 18 per cent a year. Declining prices and improved software reliability have helped to broaden the market among smaller and medium-sized engineering companies.

Computervision, which slipped to losses of $80m (£52m) in 1985, held the lead in the world Cad/Cam industry until three years ago. Since then, it is estimated to have fallen to number three in the world market, behind IBM and Intergraph, which are also US-based enterprises.

In the UK the company has established a strong position in the vehicle and shipbuilding industries, with orders from Jaguar, Ford of Europe, Leyland Trucks, Austin Rover and Vickers. It estimates its installed base in Britain to be around £330m.

Best of all worlds for Lawson

Philip Stephens assesses some of the attractive budget options for the Chancellor of the Exchequer.

LOWER TAXES, lower borrowing and lower interest rates are the enviable prospect that Mr Nigel Lawson, the Chancellor of the Exchequer sees within his grasp as he prepares for what seems almost certain to be the last budget before a general election.

Behind the pre-budget purdah now shrouding the Treasury it is impossible to miss the air of optimism among the Chancellor's advisers. The talk is of an "exciting" budget, of "suprises" on March 17.

Mr Lawson's attempts to play down expectations have had no impact in Whitehall. There is growing confidence that he will find £3bn or £4bn to split between income tax cuts, other electoral sweeteneers and, with an eye on financial markets, a cut in borrowing.

"Barring a sterling crisis he will be able to be both generous and prudent. The timing is perfect," is how one insider puts it. The final judgement of the size of the "fiscal adjustment" (the amount of cash the Chancellor has available to reduce taxes or public borrowing or a combination of both) will not be made until perhaps the beginning of next month.

Last year Mr Lawson waited until 10 days before the budget before deciding that he could afford to cut the basic rate of tax by 1p.

It is already obvious, however, that revenues from value added and corporate taxes are running far ahead of the Treasury's previous forecasts. The tax windfall – generated by the current consumer spending boom and high company profitability – was acknowledged in last November's autumn statement when the Treasury raised its forecast of non-oil revenues in 1986–87 by £2bn.

At that time the Treasury's internal forecasts were already pointing to a substantial fiscal adjustment, perhaps of around £2bn, even after the Government had added nearly £5bn to its public spending target for 1987–88.

Since then the pace of increase in non-oil revenues has further accelerated, and the Treasury now expects to undershoot its £7bn target for the public sector borrowing requirement in the current financial year.

The rise in the oil price to about $18 a barrel has provided another unexpected windfall and will allow Mr Lawson to project a price of perhaps $15 or $16 a barrel for the next financial year while still appearing cautious.

Finally, the likely undershoot in the public sector borrowing requirement (PSBR) has allowed Treasury officials to begin bringing forward some of the public spending which would normally fall in 1987/88 into the current year

The decision facing Mr Lawson then is how he should best use the fiscal adjustment, both in terms of maximising the Government's popularity and of ensuring that the budget gets a vote of confidence from financial markets.

Some of the Treasury's most senior economists believe that – in the abstract – the best strategy would be to use most of the cash available to reduce next year's PSBR even further.

The argument is that the economy is already growing strongly so no new stimulus is needed from tax cuts. By giving an added stimulus to the present consumer boom, lower taxes might also exacerbate Britain's widening trade gap, as imports account for a disproportionate share of retail sales.

A substantially lower PSBR would pave the way for lower interest rates, so boosting prospects for investment and for more balanced growth in the economy. It might also allow a continued depreciation in the pound's value, strengthening the prospects for exports.

With an election looming, however, there are few illusions in Whitehall that Mr Lawson will opt for such a course. What does seem increasingly plausible is that he will seek the best of both worlds.

On present arithmetic the Chancellor may well be able to reduce incomes taxes by more than £2bn – perhaps by cutting the basic rate by 2p to 27p – and to reduce his planned borrowing target by around £1bn to £6bn.

That apparent combination of prudence and generosity might be enough to get a cut in interest rates, and lower mortgage rates. The latter would provide a welcome brake on the pace of increases in retail price inflation at a time when it is likely to be heading for 5 per cent.

Of course lower taxes may not be confined to reductions in the basic rate. Mr Lawson could seek to demonstrate the Conservative Party's commitment to the lower paid by announcing a significant increase in income tax thresholds.

The Chancellor – again with an eye on the inflation rate and votes – could also decide against raising excise duties on tobacco, petrol, and alcohol by enough to take account of past inflation.

Another relatively inexpensive option would be to cut the top rates of tax, although – whatever Mr Lawson's instincts – the Prime Minister has indicated that electoral considerations point more towards doing something for the lower-paid. In that context an increase in the ceiling for the special lower-rate band of employees' National Insurance contributions might be an attractive option.

The logic of Mr Lawson's past policies would dictate the removal of stamp duty on share transactions, but what would be seen as a £1bn handout to the City would almost certainly be out of tune with Mrs Thatcher's political antennae.

The Chancellor, who is temperamentally a juggler and always anxious to spring surprises, will also be looking for taxes to reform, or perhaps to abolish. The increasingly complex capital gains tax might prove a worthwhile candidate if some of its revenues can be diverted elsewhere.

Plans for the introduction of tax incentives for profit-related pay have got a lukewarm reception both within the Treasury machine and from many industrialists. Mr Lawson, however, may well feel that he has invested too much political capital in the idea to drop the idea of even a modest move in the direction of profit-related pay.

This comfortable scenario in which the Chancellor can afford to do most of the things he wants is not, of course, immune to outside shocks. The pound still looks vulnerable on foreign exchange markets and another run on the currency could well force him to follow the advice of officials and drastically cut the PSBR target.

Barring a sterling crisis, though, Mr Lawson's fourth budget looks to be the one where he will have all the pre-election opportunities he could hope for – and of course no excuse if things go wrong.

Scotch whisky exports rise 8%

BY LISA WOOD

EXPORTS of Scotch whisky rose by 8 per cent last year to more than £1bn in value, with an increase of more than 4 per cent in volume, according to the Scotch Whisky Association.

The volume increase, to 236m litres of pure alcohol (lpa) while the highest figure since 1982, is still well below the peak figure of 274m lpa in 1978, after which exports declined sharply.

Mr Ivan Straker, of the association, said: "We can take encouragement from the fact that our total exports were the best for four years. It would be premature to talk in terms of recovery, however, until we see evidence of sustained growth over a much longer period.

"While there was an improvement in the performance of bottled blends and malts, the greatest increase was in bulk shipments. Any recovery will remain fragile until there is a really solid improvement in our exports of bottled Scotch whisky."

According to the association, the volume of shipments bottled in Scotland increased by 3 per cent to 160m lpa and accounted for 68 per cent of the total. Bulk shipments of malt whisky rose by 8 per cent to 75m lpa.

Details of shipments to individual markets are not yet available but the association said it was clear that exports to the EEC as a whole remained strong and although exports to the US were depressed following a tax increase, there were some signs of recovery towards the end of the year.

BUSINESS LAW

Insurance still fettered

By A. H. HERMANN, Legal Correspondent

THE CONFIDENCE of the customer is a rather important asset. Once overcharged, he is likely to go to another market, and electronic communications make that easy.

Unfortunately, many ways are still open to those who want to rip off the customer seeking insurance. In London, the broker whom he trusts to find the best bargain may, in fact, be seeking the best deal for a syndicate of which he is a member, or for an insurance company which he represents. Or, in West Germany, for example, the insurers may form a premium-fixing cartel.

Also, those who finance insurance and put their entire assets at risk, the "names" at Lloyd's of London, can be cheated in a variety of ways which, curiously, receive much more publicity than shabby treatment of the insurance seekers, though these are more numerous and more important for the economy: excessive insurance premiums tend to reduce the efficiency and competitiveness of production directly or indirectly.

Policy holders

Let us take them first. Though its terms of reference were focused on protection of names, the committee chaired by Sir Patrick Neill recognised* that this implied also the safeguarding of the interests of the policy holders who otherwise may run away.

Unfortunately, this is about all the committee has to say on this subject in its report. It notes with approval that the brokers were ordered by the 1982 Lloyd's Act to divest themselves of managing agencies, who dominate Lloyd's syndicates. But it turns a blind eye to the fact that they are still allowed to own underwriting agencies representing (mainly foreign) insurance companies thatthey hold "binding authorities"—which make them into agents and representatives of insurance companies—and they may be, and often are members of insurance syndicates at Lloyd's.

These links lead necessarily to a conflict between the client's and the broker's interests. It is argued, in defence of this system, that to retain the client's account, the broker must serve him well.

This may work in favour of large clients able to shop around and check. A medium to small enterprise, however, does not employ an insurance specialist on its staff and is easily fobbed off with usual sales talk explaining a higher premium by "better terms" or even "better quality insurer"—factors which are difficult to prove and impossible to quantify. A consumer seeking motor, household or life insurance is, of course, even more at sea than a small business firm.

There is a strong case, therefore, for severance of brokers' remaining links with insurers.

Turning to the protection of names: these successors of the insurers, who used to sit in Mr Lloyd's coffeehouse, sipping coffee and underwriting policies brought to them by waiters acting as brokers, became somewhat distant from the actual operation of the world's most famous insurance market. First, they gave authority to one of those sitting at their table and these became the "underwriters." In the second phase, the underwriter and his deputy, keeping the list of names of the members of the syndicate, became bosses. They established parallel syndicates—baby syndicates—of themselves and their friends, to whom they would steer the more profitable business.

The Neill report says that such parallel syndicates should be discarded within two years—as well as special links with reinsurers, which sometimes were owned by the underwriter and through which profits could be syphoned to tax havens.

In the third phase, an additional layer was imposed between the names and the underwriters: the "names agent" whose function it was to recruit investors willing to become "names" and to place their business with managing agents. The names are captives of the agent who recruited them, and who may not have the right contacts or be too closely linked with the managing agency. They must not seek business of a certain class—marine, for example—with more than one agent. The Neill report recommends that they should be given the freedom to go to any agent they wish.

However, there is yet another, almost unavoidable pitfall in store for the name. The "managing agents" have become limited companies and the "underwriters" are no longer insurers acting for themselves and other members of the syndicates, but employees and often directors of the managing agency, owing their allegiance and fiduciary duty directly to the shareholders of the agency and only very indirectly to the names. By a similar development, the names' agencies became limited companies with shareholders to look after.

Agencies for sale

This results, of course, in a fundamental conflict of interest between the shareholders of these agencies and the actual insurers, the names. A complicated and mostly opaque structure of commissions on premium income, expenses and participation in the profits, but rarely in the losses of the insurance business has been designed mainly for the benefit of the agencies.

Even more serious may be the tendency to build up premium income of long-term business and undervalue the outstanding liabilities, so that the agency can be sold at great profit. The money to be made by selling a profitable, or apparently profitable, agency seems to have become a widespread obsession at all levels of the Lloyd's hierarchy.

The Neill committee seeks to improve the position of the names by increasing the number of non-professional members of the Lloyd's Council, by redrafting agency agreements, by greater transparency of the commissions and charges, and by offsetting losses of one year against the profits of another before calculating the agency's share of profit.

These are, no doubt, welcome paliatives which, however, do not touch the cause of the disease. This can be cured only by removing the conflict of interest between names and the shareholders of the agencies—by making the names into the only shareholders.

There is no reason why syndicates have to be reconstituted each year. They can form mutual societies running the agencies. Only such a shift in the economic power—which could be achieved gradually by ruling that agency shares may be sold only to names which they represent—can achieve a radical improvement. Avoiding this essential problem, the Neill committee instead leaves it to the Council to find solutions for problems, or calls for more reports, policy statements, declarations of faith—all paperwork which, going by past experience, is only increasing administrative costs with little other effect.

A week after the publication of the Neill committee report, the European Court dealt† with a different method of anti-competitive practices and overcharging employed by the continental insurers. They have no need of elaborate schemes for rigging the market. Traditionally, insurance is closely supervised. Premiums in consumer-oriented business are subject to government aproval, which, according to the view you take, is to protect the insured from insurers' insolvencies, or simply to protect insurance companies' profits.

In less closely controlled sectors, industrial fire insurance for example, the insurers from cartels by means of "non-obligatory" premium recommendations. Rejecting an appeal by two associations of West German insurers, against a Commission decision refusing clearance or exemption from EEC competition rules for such a recommendation, the Luxembourg judges struck a blow for competition in the continental insurance market. They said a flat 10-30 per cent premium increase on old fire policies and the screening of all "new business" by tarrif commission was going beyond the justifiable care for solvency; and the competition rules of articles 85 and 86 applied to all insurance, without regard to the manner of state supervision.

This ruling might help West German policy holders. It may also open the German insurance market to the competition of UK insurers, provided they get rid of their own anti-competitive ways. For once, the European Court seems to be ahead—at least of the Neill report.

* *Regulatory Arrangements at Lloyd's. Report of the Committee of Inquiry, Cm 59. 117pp. SO £8.10.*

† *Case 45/85, judgment January 27 1987 (FT Business Law Brief, February 1987), see also this column December 4 1986.*

We can't help you stop it.
But we can help you save it.

There's more to managing time than meets the eye.

For example, taking the earliest morning flight to Scandinavia looks to be the way to save time.

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The flight can take up to two hours, sometimes three. Add the hour you lose because of the time difference.

Where does that get you?

It gets you to your business meeting in the middle of the afternoon. There's little time to accomplish much. You'll probably need to stay overnight and resume in the morning. Which all adds up to two working days away from your office.

Now let's see what happens if you fly in the evening after a full day's work.

You take the SAS flight and treat yourself to a superb meal. A limousine drives you from the airport to one of SAS's (and Scandinavia's) best hotels. You enjoy priority service from the moment you walk in the door.

After a good night's sleep – and a good morning breakfast – you go to our special check-in counter in the hotel lobby and check in for your SAS flight back home.

You now have the whole day in front of you. You can start your meeting bright and early. (That's the Scandinavian tradition.) What's more, you can end it nice and late – you've already checked in for your flight and can leave for the airport at the last minute.

That's a working day saved. You've done it in one. You'll even be home in time for dinner, thanks to the hour you gain coming back.

Doesn't SAS deserve a big hand for saving you all this time?

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SAS
The Businessman's Airline

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Christian Bregou: wanted to create a French McGraw Hill

Breaking with a French tradition

Paul Betts explains the growth of a leading publisher, a recent entrant to the second marche

CHRISTIAN BREGOU had two projects up his sleeve when he was still financial and planning director at Havas, the large French state-controlled advertising and media group, a little over 10 years ago. One was to launch a new hotel chain to complement the travel and leisure activities of Havas. The *other was to launch a publishing* venture to create a French group specialising in economic, technical and industrial publications.

Eventually, Bregou ended up establishing his own publishing venture — with Havas backing. "My idea was to create a French version of McGraw Hill, the leading US business and technical publishing group," says Bregou. In barely 10 years, CEP Communication—founded around the existing Usine Nouvelle magazine—has seen its sales grow from only FFr 291m (£31.3m) in 1976 to FFr 3.1bn last year. It has become the country's leading publisher of business and technical journals, the largest organiser of trade fairs in France, and, by acquiring the venerable French publishing firms of Nathan and Larousse, it has also become the leading French publisher of reference books and encyclopaedias as well as the second largest publisher of school books in France along with its bigger rival Hachette, the country's largest publishing group.

A few months ago, CEP Communication became the latest of a growing list of successful French start-ups to seek a quotation on the growing French unlisted securities market, the so-called "second marché."

Bregou's publishing concept has broken new ground in the French publishing industry in several ways. In an industry traditionally dominated by large family-controlled companies, Bregou set out to put together a publishing concern with the support of strong financial partners in a sector which until then had been generally neglected, indeed despised by the industry as a *whole*.

"Ten years ago, the business and trade press in France were in a bad state. They were regarded as second class citizens by the publishing business," explains Bregou, who saw the opportunity of constituting a business publishing group in France with wider international aspirations. He was initially backed by Havas, which took a 38.5 per cent stake in CEP Communication. The following year, 1977, he entered into a partnership with International Publishing Corporation in the UK. After *acquiring control of a small* French company called Compagnie Francaise d'Edition which specialised in technical journals and trade fairs and in which the UK publisher owned a 45 per *cent stake, Bregou* proposed *to* IPC that it become a shareholder in CEP Communication.

IPC eventually gained a 25 per cent stake in Bregou's new group. However, after a 10-year relationship, the UK group decided last year to shed its *stake*.

The decision of IPC to withdraw from the French venture reflects a change in the UK group's strategy, according to Bregou. "They started to shift their interest increasingly towards the US rather than Europe. Moreover, they also wanted either to *control* the French venture or retreat from it if we did not want to give up control." Bregou adds that the French shareholders had no intention of relinquishing control, thus prompting IPC to sell its stake to a group of banks, including among them Barclays and Credit Commercial de France (CCF).

Although the banking shareholding group took over IPC's 25 per cent stake in CEP, this was decreased by 10 per cent last November when 10 per cent of the company's shares were issued to the public. "The *retreat of* IPC paved the way for the listing of the company on the second marché," says Bregou. The stake owned by the banks is expected to decline further when about 20 per cent *of CEP shares are floated.*

At the same time, CEP management and employees now own 12.5 per cent of the capital. Apart from Havas, which has kept its 38.5 per cent stake, other big shareholders are the Suez group with 10 per cent, the Compagnie Luxembourgeoise de Telediffusion, the Luxembourg broadcasting concern, with 8.5 per cent, and the Ouest France regional newspaper group with 5.5 per cent.

Apart from the association with IPC, the acquisition of control of Nathan and then Larousse helped give CEP the international dimension it had been seeking.

"Larousse is as well known as Renault outside France," says Bregou. But the leading French publisher of reference books (77 per cent of French households own a "Petit Larousse," a dictionary/encyclopaedia which still sells at an average rate of 1.2m copies a year) was in a troubled state when Bregou took it over. However. Larousse has been successfully restructured during the past two years. It is now back in the black after losing FFr 33m in 1984 and FFr 2m in 1985. CEP expects Larousse to be *operating at what it calls* "a normal level of profitability" for such a group by next year.

Overall, CEP expects to report consolidated net profits of FFr 120m for 1986 compared with earnings of FFr 84m the year before.

On top of its two core publishing activities—business publications and reference and educational books—CEP is involved in the educational games sector which accounts for about 12 per cent of its annual sales. The group has also attempted to extend its operations in the development of software systems for school and home computers in association with Thomson, the French nationalised electronics group.

After strong growth in the business publishing sector in France, boosted by the increasing demand and interest in the country during the past five years for economic, industrial and business information and the restructuring of Larousse, CEP now wants to consolidate its position in France and increasingly abroad in its two core business activities. The group is also expected to continue to develop by external growth seizing acquisition opportunities when they occur in France and elsewhere.

Although controlling a large range of titles in the trade and business press, there are still gaps in CEP's business portfolio especially in the financial, agricultural and medical trade press. Moreover, Bregou makes no secret that a long term ambition is to control a French business daily newspaper.

"A *daily business* newspaper is the sort of product which fits in with our general publishing vocation," he says. But he believes that there is not room for more than two French language business daily newspapers in France and already there are two such publications: Les Echos and La Tribune de L'Economie.

More immediately, CEP will have to face a different challenge with the privatisation this year of Havas, one of the French nationalised groups picked by the conservative government for early privatisation. But although Havas has been the publishing group's single largest shareholder and ally, it has not interfered in the management of CEP. Indeed, CEP has always been independently run by Bregou and his team.

Bregou claims that the privatisation of Havas is not an issue as yet for CEP. However, it clearly will become one since the new private shareholders of the advertising and media group will inevitably have a crucial role to play in the continuity and development of Bregou's still young publishing group.

Innovation: why the answer lies in a range of approaches

BY WILLIAM DULLFORCE

A WILD DASH for innovation is not the best method of rejuvenating a stagnant or declining business. Rather it is imperative for senior managers to decide coolly on the type of innovation needed for survival and to assess cold-bloodedly the ability of their management system to effect the appropriate changes.

Only then can the right approach to rejuvenation be selected, says Paul Strebel, professor of business administration at Imede, the international management training institute at Lausanne, Switzerland.

Strebel, who is also Imede's research director and has considerable experience of corporate reorganisations, finds that too much simplification has crept in and too many buzz words are being blindly employed in the current emphasis on innovation as the agent for strategic business changes.

Carlo de Benedetti's dramatic rejuvenation of Olivetti or 3M Corporation's oft-cited method of stimulating spontaneous internal innovation may be totally inappropriate models for managers operating in different industries, with dissimilar corporate organisations, selling products of varying technological maturity.

Instead Strebel outlines, in a newly published Imede pamphlet,* four possible approaches to rejuvenation. Company boards or chief executives should select an approach after deciding whether the kind of innovation needed is fundamental or incremental and whether their existing corporate organisation is open or closed to innovation.

Fundamental innovation occurs during the turbulent period of an industry's emergence: the Apple computer was a revolutionary development. But fundamental innovation is also needed in the sunset phase of an industry, when companies reaching for survival are looking for new growth businesses.

Incremental innovation involves less radical change. It is required when in an expanding industry a company wants to improve production processes in order to meet market demands and when in a mature industry it is seeking product differentiation to open up new market segments. Strebel cites *the development of the Sony* Walkmann radio-cassette player which successfully created a new market.

A company organisation's predisposition towards change is often more difficult for top managers *to gauge: senior* executives on Strebel's courses were less than clear-cut in assessing their own companies. But a realistic appraisal of the corporate capacity is crucial to deciding on strategy.

In *organisations* receptive to new ideas and change innovative *activity typically occurs* more or less spontaneously from the bottom up; the role of top management is to orchestrate the process and set the environment.

By contrast innovation has to be induced from the top down in organisations which, often in the interests of efficiency, have become bureaucratic, rigid and

> In organisations receptive to new ideas innovative activity occurs . . . spontaneously from the bottom up; the role of top management is to orchestrate the process

resistant to new ideas. Then the chief executive or executive group usually has to dictate change.

After determining its situation in these two dimensions — the kind of innovation needed and the organisation's disposition to change — a company should be able to focus on one of four basic strategies, Strebel believes. They coincide roughly with stages in an industry's rise and decline. He defines them as:

Widespread team competition. When rapid innovation of a fundamental nature is taking place during the early life of an industry, the management needs to tune its organisation to the external environment by creating team competition within the company.

The prototype is Hewlett-Packard, the US electronics group, in its early days, when autonomous teams within the company competed with each other to develop products and sell them to the sales forces. This type of rejuvenation cannot be directed from the top because specific objectives for *innovation are usually absent* and the competitive pressure to innovate is weak.

But, as the company grows, the lack of corporate structure makes it difficult to sustain team competition, as Hewlett-Packard, *Digital* Equipment Corporation and others who tried the approach were eventually forced to recognise. They had had to reorganise in a more conventional manner, in order to achieve the co-ordination required for more efficient growth.

The next strategy, the one most written about, which encourages incremental innovation in a corporate climate still open to new ideas is:

Intrapreneurship. The most *famous* exponent of this strategy in the West is 3M Corporation but Japanese industry is widely credited with having perfected *incremental innovation* in its core management system.

Three crucial support structures have to be in place within the company. First, an effective reward and compensation structure to stimulate the latent entrepreneurship in employees. Second, adequate provision of resources to ensure that new ideas are commercialised; if his boss disagrees, an innovator should be able to find an alternative sponsor within the company.

Third, communication within the company and with the market place is of critical importance. Most incremental innovation is market driven and open channels between design, development and marketing provide the most rapid passage for new ideas.

Independent task forces offer *the third strategy, when the* need is still for incremental innovation but the corporate organisation has started to resist new ideas. Top management appoints groups to operate outside the mainstream management with the maximum possible freedom to carry out specific critical tasks.

IBM created such a force to develop a personal computer and catch up with Apple. It then institutionalised the approach by creating its incubation centres for new products and processes.

Philips is trying a variant of the approach by negotiating alliances with task forces of other companies to explore the possibilities of rejuvenating business sectors through the exchange of technology, markets, customers and sources of production.

The verdict on Philips' 30 or so alliances has not yet fallen. Strebel argues that they have the best chance of succeeding when the scope of the exchange is carefully limited.

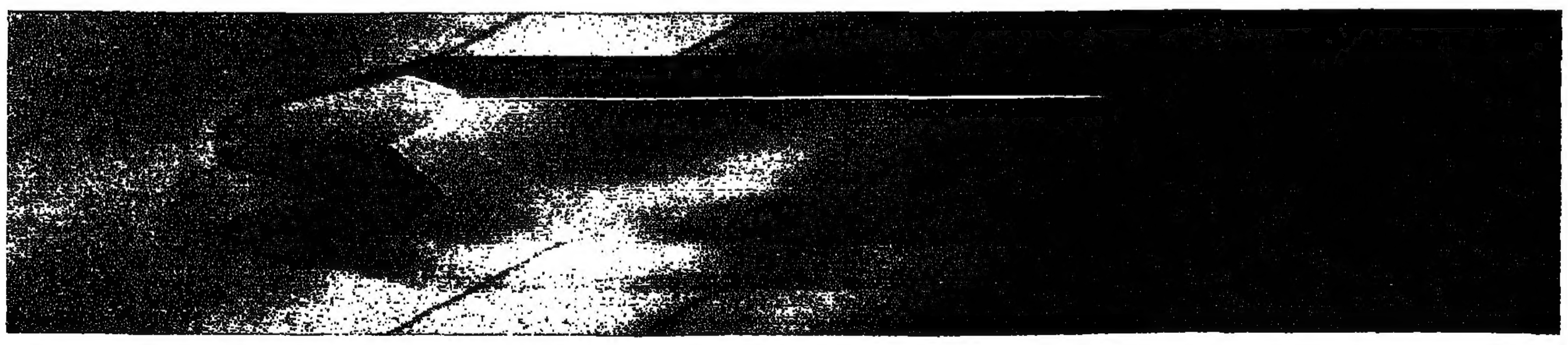
Business redefinition is Strebel's fourth and most dramatic approach. A form of shock treatment, it needs to be applied by a dominating new chief executive, when the innovation needed is so radical and so crucial for the company's survival that the closed corporate organisation has to be circumvented.

It usually entails sharp reductions in personnel, divesting unprofitable operations and the *acquisition of* new activities. Carlo de Benedetti turned Olivetti from an ailing typewriter company into a leading data systems concern by slashing 14,000 staff and reorientating the company towards the small computer market through alliances with AT&T and Toshiba.

Reintegrating successful spin-offs into the mainstream company is a variant of business redefinition. Strebel singles out the development of the Swatch, the cheap, plastic watch, by SMH, the Swiss watch company. Ernst Thomke, the head of the Swatch division, is now managing director of the parent company, reorientating the whole corporation towards the new concept of a watch as a fashion item.

Rejuvenation of this kind attracts attention but Strebel believes most managements would find it better to go for incremental innovation. The problem then is to create the right corporate culture.

* *Available from Imede, PO Box 1059, CH-1001 Lausanne, Switzerland.*



FRENCH ENERGY

The deregulation debate

Changing guard at the state monopolies

By Paul Betts in Paris

EVEN THE MOST ardent French disciples of economic liberalism would not dream of privatising Gaz de France like British Gas, but there has been a debate on energy deregulation in France. Some officials and free-market exponents have questioned the role of traditional monopolies such as GdF and its larger and more influential sister, Electricité de France, which is often described as a state within a state.

The debate over deregulation and the role of the two big state utilities has also been fuelled by changes at the top of the two groups.

EdF will this year have a new chairman and a new managing director. Although the company has just reported a 30 per cent earnings increase with profits of FFr 1.3bn (£141.5m) last year, the senior management changes and the strong chance that an outsider—probably Mr Jacques Friedman, one of the key advisers of Mr Jacques Chirac, the conservative Prime Minister—will be picked as new chairman are causing internal turmoil.

At GdF, the Government has appointed Mr Jacques Fournier as chairman. He was secretary of the previous Socialist government—a position roughly equivalent to that of Sir Robert Armstrong as cabinet secretary in the UK—and his nomination to GdF was widely seen as a result of the political cohabitation of a Socialist President and a right-wing Prime Minister.

Mr Chirac appears to have been in a hurry to replace Mr Fournier as government secretary-general especially as he had, at one stage, also been President Francois Mitterrand's deputy secretary-general at the Elysée Palace. Traditionally in France, top civil servants who have been secretaries general of government are moved on to head state enterprises.

Predecessors of Mr Fournier went to run the state railways, Air France and the Paris urban transit system. Mr Fournier, who at one time was the legal counsellor of GdF, was offered the senior job at the gas utility.

Unlike the agitation at EdF, the arrival of Mr Fournier at GdF appears on the whole to have been well accepted. "The big difference with EdF is that we were changing only chairman and not managing director as well," a GdF official remarked. Indeed, as Mr Fournier was being appointed to the gas utility at the end of last year, GdF's managing director, Mr Pierre Delaporte, was completing negotiations over GdF's share of the giant $60bn (£39.3bn) Sleipner and Troll Norwegian gas supply contract and renegotiating GdF's supply contract with Algeria.

Mr Fournier appears to have reassured the utility with his firm conviction that the current gas monopoly in France is probably the best solution for the country, for the time being at least. He suggests that France has enough difficulties without creating new ones by raising questions over the role of GdF.

He is also keen to continue development of GdF's gas supply activities and eventually to increase its relatively modest share of the country's overall energy balance. "I don't see why we could not have a 15 per cent-16 per cent share of the energy balance rather than our current 12 per cent-13 per cent," he says. This is well below the European average of gas accounting for about 20 per cent of a country's energy supplies.

Mr Fournier's other two broad priorities are to consolidate the financial recovery of the utility —"1986 was the second consecutive year we made profits but I hope it won't be the last," he says—and to develop GdF's international activities in promoting French gas technology and engineering overseas.

After losing FFr 3bn in 1984, GdF made a profit of FFr 450m in 1985 and is expected to see its earnings triple in 1986 to about FFr 1.5bn. Sales last year are expected to have declined slightly from the FFr 56bn of 1985.

Renegotiation of supply contracts with the Netherlands and the Soviet Union, debt consolidation and the decline in the price of oil and the US dollar all contributed to the return to the black. GdF's total debts of FFr 32bn at the end of 1984 had been cut to FFr 21bn at the end of last year. The company has reconstituted its capital base by two issues of non-voting stock which state companies can float in France, for a total of FFr 6.4bn.

On the supply side, GdF has established the long-term pattern of its gas supplies based primarily on imports from Algeria, the Soviet Union, and Norway, which will, in the longer term, compensate for the reduction in supplies from the Netherlands and for the decline of production from the Lacq gas field in south-west France.

The Soviet Union, Algeria and Norway will eventually contribute about a quarter of France's gas supplies. Although the Government is continuing to press Moscow to reduce France's growing trade deficit with Russia—it totalled about FFr 8bn last year—GdF has succeeded in negotating a price reduction and a revision of its 1982 long-term Soviet contract. That involves long-term supplies of up to 8bn cubic metres of gas a year.

With Norway, the Troll and Sleipner contract was held up while France sought trade compensations from Oslo to offset the large gas imports. Agreement was reached in December whereby GdF will buy 6bn cu m a year of Norwegian gas for 27 years, starting in 1993, with an option to buy a further 2bn cu m a year.

Renegotiation of GdF's Algerian contract was to have been completed last year. Discussions are continuing with the Algerians seeking more favourable terms. Nonetheless, GdF reached a temporary agreement with Algeria last year, modifying the price formula to reflect market conditions more closely. Before the interim agreement France had been paying up to 10-15 per cent more for Algerian gas than for gas from elsewhere. GdF incurred an extra charge of about FFr 4.5bn in its 1985 accounts as a result of the higher cost of Algerian gas.

Fournier: expects GdF to fare better commercially.

With a secure supply situation, GdF is anxious to defend its traditional role in gas imports. So far, it has done so successfully, fending off an effort last year by the state-controlled Elf-Aquitaine oil group to negotiate a gas-supply agreement for two domestic gas-distribution networks in south-west France. Elf, operator of the Lacq gas field, has been seeking alternative supplies for the networks to compensate for the eventual depletion of Lacq.

At one stage last year, Elf started negotiating with Norway for direct gas supplies, but the talks were dropped as GdF was in a stronger position to negotiate with Oslo.

Although GdF would probably have preferred to see the closure of Elf's distribution networks when Elf's domestic gas resources run out, the utility agreed to compromise. Elf recognised GdF's monopoly and the utility committed itself to supply the Elf networks with Norwegian gas. For GdF it was important to remain the country's exclusive gas importer.

In his first weeks as chairman, Mr Fournier has had to face the strikes which hit the French public sector during the Christmas holiday. GdF emerged from unrest better than EdF. Although the two utilities have a unified union structure as well as integrated commercial services, strikes have traditionally been far more frequent at the electricity utility. This is largely because it is easier to cut electricity supplies than gas supplies for security reasons.

GdF is operating in an increasingly competitive French energy market and says 1986 was a difficult year because of competition from lower priced fuel oils. The utility, which operates a mixed-price regime with deregulated industrial gas prices but regulated tariffs for individual households, has reduced its industrial tariffs dramatically.

It cut its industrial tariffs by more than 30 per cent last year and announced a further 12 per cent cut last month. Household tariffs have come down less. Although the Government has lifted almost all price controls from the beginning of this year, prices of monopolies, such as gas, electricity, postage stamps and tobacco, continue to be regulated.

Mr Fournier expects GdF to fare better commercially this year and to gain market share. One problem has long been the tendency for developers to choose electricity for new buildings because it is less expensive to instal although gas is cheaper to operate.

While GdF is settling down with a sense of continuity under its new chairman, the future for EdF promises to be more turbulent. Although deregulation talk seems directed essentially towards EdF, it seems unlikely that its status can be at risk. However, the appointment of an outsider as chairman and of an insider as new managing director this year could herald a period of change at one of the country's most powerful institutions.

TECHNOLOGY: Computing

BY ALAN CANE

With two new mainframes IBM has regained the ground it lost to Amdahl and NAS in the race for power output

More punch and back on terms with big hitters

IBM LAST week regained ground it had lost to its mainframe competitors, Amdahl and National Advanced Systems (NAS), but left industry analysts and observers divided over its prospects and intentions.

It announced two entirely new mainframes in its 30/90 big machine family, including the most powerful general purpose computer it has ever marketed, and introduced enhancements for the existing models in the range.

Its flagship computer, the 30/90 600E, which comprises six processors in one configuration, is now of equivalent power to the top machines from Amdahl and NAS.

Although IBM refuses to give mips ratings (see panel) analysts reckon it is a 76 mips machine compared to the 70-75 mips delivered by NAS and Amdahl.

In the world of mainframes, the battle lines have been clearly drawn for a long time. Customers tend to be "locked-in" to particular manufacturers by their investment in a particular kind of software, which is why IBM has held its 70 per cent share of the world market for so long and why it is so rare for customers to move from one manufacturer to another.

NAS and Amdahl, however, are IBM plug-compatible manufacturers, that is they offer computers which are functionally identical to IBM's and which use IBM's own software. They therefore compete directly with IBM on its own territory.

They offer more power than IBM for the same money, or they offer a lower price.

For IBM, the 30/90 series has so far not proved an outstanding success, chiefly because many customers did not believe they were getting sufficient advantages over the older 308X series.

The machines are selling well, IBM claims, but analysts argue they are not selling well enough to satisfy IBM's manufacturing capability.

Some customers, National Westminster Bank in the UK for example, have found they can meet their needs more cost effectively buying second-hand 3084 models rather than new 3090s.

Meanwhile, Amdahl and NAS have been performing splendidly. Although the US mainframe market is depressed at present, NAS, for example, expects revenues to grow by over 70 per cent in Europe in the current financial year.

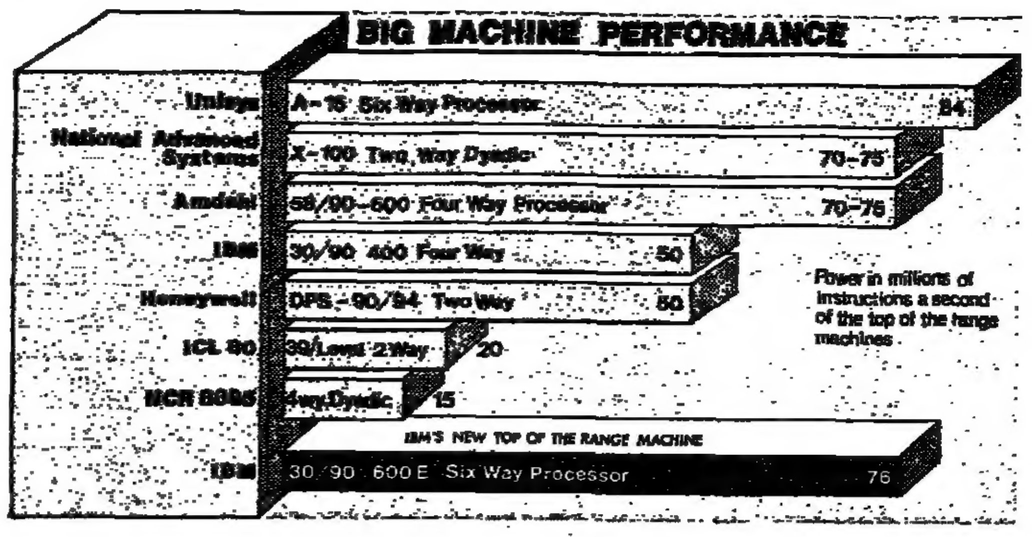
With the new machines and upgrades, IBM has recovered its lost ground, but does not seem to have opened up a lead. Mr Stephen Smith, computer analyst with the New York stockbroker Paine Webber, described the new machines as "disappointing," offering little in the way of new technology and less-than-expected improvements in price performance.

A critical issue for customers and competitors alike is the likely date of the announcement of IBM's new mainframe family, codenamed "Summit." This is likely to contain dramatically new technology.

Mr Robert Fertig of Enterprise Information Systems, a US-based consultancy, who predicted last week's announcements very accurately in September last year, thinks the Summit series will not now appear before the 1990s.

He argues that IBM is now price competitive with the plug compatibles and that there is no reason for a data processing manager not to buy IBM.

"Some reports suggest these announcements are neither very aggressive nor significant," he says. "Nothing could be further from the truth.



"The plug-compatible manufacturers are going to have to cut their prices and the leasing companies will be affected. This will be IBM's biggest announcement in 1987."

Mr John Curran, marketing director for NAS in Europe, said yesterday he agreed the company would be responding to IBM's prices "within a week."

He argued, however, on the basis of product cycles that IBM was likely to announce the Summit series next year.

He said there was evidence that IBM's product cycles had been five years followed by three years all the way back to the launch of the System/360, the computer system which is still the design basis for today's models.

308X technology had lasted five years, he said, so the 3090 family would last three years leading to the announcement of the Summit machines in 1988.

With the recent launches, IBM had taken the opportunity to remove limitations such as the number of channels available and restrictions on main and extended memory.

It had not improved channel speed from the industry standard three megabytes a second because it had delayed launching new and more powerful disk storage units.

Mr Ken Gorf, director of marketing for Amdahl in the UK, said that although there was little that was innovative in the hardware of the new machines there were signs that IBM had built special features into the operating software which pointed the way ahead.

Manufacturers had to provide multiple processor computers to satisfy their customers' demand for raw power, but up until now they had failed to exploit properly the potential of these new designs.

Existing multiprocessors were "loosely" coupled; the chief advantage a customer gained was only having to pay for one software licence for two, four or six processors. There was a heavy software "overhead" to pay for the extra mips.

There were signs that IBM was beginning to develop methods of managing two or more processors in a more sophisticated manner.

Myth of the mip rating

MEASURING the performance of large computer systems and drawing comparisons between mainframes of different makes is a complex business.

It can only really be done by measuring the speed and efficiency with which competing systems handle a standard work load. Manufacturers, perhaps understandably, are reluctant to see their machines benchmarked in this way.

So for want of a better yardstick, analysts fall back on "mip" ratings, assessments of the millions of instructions a computer is able to carry out in one second.

IBM, like most other large manufacturers, will not quote mip ratings, arguing that they can give a misleading picture of machine performance.

And it is right. The illustration shows that the top-end machines from IBM and its plug-compatible competitors, National Advanced Systems and Amdahl, are now roughly comparable in power at about 70-75 mips.

The six-processor combination from Unisys is even faster at 84 mips. The largest machine from NCR, a quadruple dyadic processor complex, however, seems hopelessly underpowered at only 15 mips.

The answer is that raw mips alone are an insufficient guide to machine power. NCR specialists argue that the NCR instruction set, the list of kinds of instruction the computer can be asked to obey, is much more powerful than its IBM equivalent. In one case, a single instruction on an NCR mainframe may take up to 100 instructions on an equivalent processor.

In other words, it would take a mainframe running at 100 mips to duplicate the performance of an NCR machine running at only one mip. This is, of course, a gross oversimplification.

Even more dramatically, a single instruction can be used to move 65,536 bytes from one memory segment to another using NCR technology while 200,000 instructions may be needed for equivalent machines.

Within the IBM world, however (which includes the plug-compatible manufacturers), it seems likely that mips ratings will continue to hold sway, at least until some standard measure of performance can be universally agreed.

IBM mainframes and their plug-compatible equivalents share the same design concepts and the same software, so mips comparisons have some validity.

And "dollars per mips" looks like remaining a standard method — however illegitimate — for assessing where IBM stands in price performance relative to its competitors.

Price performance for IBM's mainframes

Current model	Mips	Price ($m)*	$ per mips
150	9.7	1.7	175,000
180	15.4	2.6	169,000
200	27.7	4.5	163,000
400	50.0	8.6	172,000
New models			
150E	10.1	1.6	158,000
180E	17.6	2.6	148,000
200E	31.9	4.5	141,000
300E	44.3	6.2	139,000
400E	56.0	8.4	150,000
600E	76.0	11.5	151,000

* US prices.

Source: Enterprise Information Systems

Relying on evolution rather than revolution

THE TECHNOLOGY IBM has built into its latest generation of machines is evolutionary rather than revolutionary.

It is based around the semiconductor chip packaging technology IBM first introduced on the earlier 308X series, the thermal conduction module. Big machine designers compromise between the need to pack chips as closely as possible to reduce the time it takes for electronic signals to pass from one chip to another and the equally important need to remove the very considerable heat chips give off while working.

IBM's answer was to mount the chips on a ceramic substate and enclose the whole package in a water-cooled metal box, the thermal conduction module or TCM. The smallest of the new range of mainframes, the 150E, has between 19 and 24 TCMs. The 200E has between 28 and 36 and the top of the range 600E between 76 and 96 TCMs.

For the new range, IBM increased the number of chips that can be packaged in the TCM from 100 to 132. The company seems committed to TCM technology, although many industry experts see it as a clumsy way of solving the chip packaging problem.

Amdahl and NAS, they point out, achieve equal and better performance without any such complicated cooling systems.

IBM is using the fastest available chip technology, emitter-coupled logic for the processor chips on the new machines, again a technology it first used on the existing 30/90 models.

According to the company the new chips give the computers a cycle time (one regular, timed sequence of operations) of 17 billionths of a second—by no means remarkable for high-speed computers but substantially faster than current IBM performance.

IBM says it is using a faster, second generation version of its one magabit (one million binary digits) memory chips in the main storage of the new models, which it claims is the densest memory chip in production today. It says it takes only 80 billionths of a second to read data stored in the chip—at that rate according to IBM a 2,200-page document would take only one second to read.

IBM's main problem in marketing the new models may be that customers will still fail to see enough differentiation in price, performance or in technology from the existing 30/90 machines—or indeed from the earlier 308X family.

Nevertheless, with this launch it has made respectable the market for very big multiprocessor configurations.

John Curran of NAS points out that interest in his company's very large machines, available for over a year now, had been somewhat muted until the IBM announcement last week: "Now we are receiving inquiries by the score," he says. "In the last week IBM has legitimised the market place."

While everybody agrees that multiprocessor configurations are the way ahead for large mainframe computing, it remains to be seen how customers take to the concept. These are not parallel processors—they are really only a number of single processors packed together in the same cabinet. The software to make them run efficiently is still at an early stage of development—as Ken Gorf of Amdahl points out, there are indications of progress in the operating software for the new models.

Customers may have to wait until the "Summit" series to fully realise the benefits of investment in multiprocessor hardware.

In search of a guardian for UK's computer heritage

THE tangible evidence of Britain's computing past is disappearing fast and will be lost forever unless a new project just initiated at Manchester university can turn the tide.

The project is to establish a national archive for the history of computing. The Leverhulme Trust, a UK charitable foundation, has awarded Manchester a three-year grant which will enable the university to employ a research associate to start the work of listing paper records and recording interviews with Britain's computer pioneers.

The university is now advertising the post, which carries a salary of £10,375.

What qualifications are needed for such a unique job? According to the university, it requires research experience in the recent history of science or industry, knowledge of computing and its developments, experience of work with archives, initiative, readiness to travel, ability to establish industrial links, and a PhD.

The archive, which will be associated with the university's Centre for the History of Science and Technology, is expected to produce a comprehensive listing of records relating to the history of computing in Britain and encourage the preservation of records by computer owners.

It will also find secure homes for records at risk, record interviews with Britain's computing pioneers and practitioners and organise conferences.

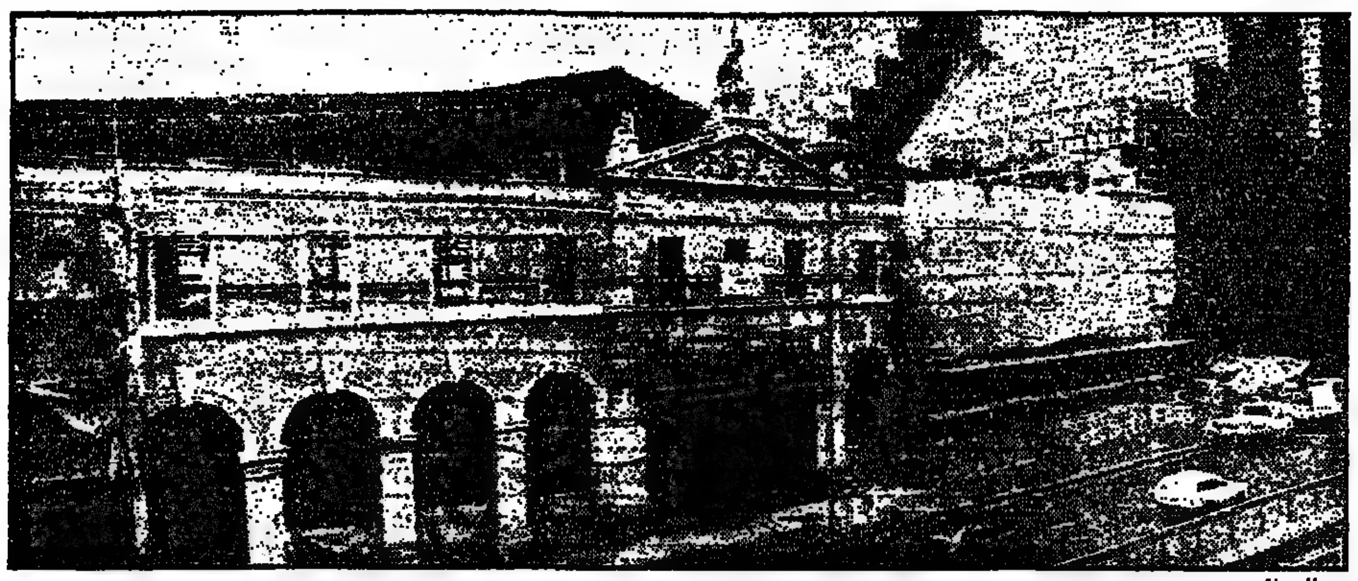
So, in years to come, students and others will turn to Manchester for the definitive version of the story of ICL or for the history of Britain's computing developments during the Second World War.

The successful candidate will have one big advantage over most other historians; almost all the UK's computer scientists and salesmen are still alive and above ground.

THE PROPERTY MARKET By PAUL CHEESERIGHT

SECURITISATION

An old idea being reborn



Billingsgate: the only present example in the UK of a securitised property investment — Alan Harpor

TWO CHEERS for the free property market. More would be premature. Only when the Stock Exchange has finished defining listing regulations can there be a start to open trading of property assets. Even then it will take time for the properties which might be traded to appear and for the investors to come to terms with a new form of investment.

But the long term implications are profound. Norman Bowie, in a public lecture at Reading University this week, looked ahead to a free market "resulting in the investment value of income-producing properties being correctly related to the current values of other media such as equities and fixed interest securities.

"The adjustment will have taken time because institutions dislike taking losses either on actual sales or by writing down in the books. The arrival of securitisation with its increase to the supply will have hastened the process of adjustment," he said.

Securitisation of property is an old idea being reborn. It involves taking a single property and offering its equity and debt to investors. It was done before the Second World War with the Earls Court Exhibition Hall in London which had first and second mortgage debentures, preferred shares, ordinary shares and deferred ordinary shares — a mixture of layered debt, as it is now called, and equity participation.

There will be other forms of new investment. Schemes to offer property income certificates in a specific building and units in a co-ownership trust holding a single property are being worked up. But securitisation is already here.

Basically it is very simple, Anthony Humphrey of Allen and Overy, the London solicitors, claimed at a property financing conference organised by Profex. "Any complexity in the capital structure of an issuing company is not a necessary result of embarking on a securitisation scheme. It is principally the result of tailoring the particular transaction to the specific and, at times, conflicting objectives of the property owner."

In the crudest terms the property owner is likely to be seeking the maximum amount of inward investment in exchange for the minimum loss of control. In other words, the property owner will be using the capital markets in just the same way as, say, a manufacturing company.

Mr Peter Norris, vice-president of Goldman Sachs International, has noted that the combined debt and equity offered in the case of Billingsgate represented 77 per cent of the value of th property.

Billingsgate City Securities is the only present example in the UK of a securitised property investment. Billingsgate is a City of London office property which, as Montagu House, will be the home of the merchant bank whose name it takes. The securities were offered last June, underwritten by Goldman Sachs and Baring Brothers.

The securitisation was in three layers, a slightly simpler structure than that of Earls Court some 50 years ago.

- There was a first mortgage debenture, the most secure of the three layers and consequently that with the lowest return for the investor. It carries a prior charge on the cash flow and capital value of the property. It is not in fact very different from any other sterling debentures or loan stocks.

This debt represented £52.5m at 6¾ per cent, but it was offered at a discount so that the actual proceeds were £35.3m and each unit at the issue price offered a gross yield to maturity of 10.6 per cent.

- The second layer of securities was an issue of preferred shares which raised £25.8m at a price of 100p a share. The dividends these shares attract is set at 30.44 per cent of all Billingsgate's rental income. This meant an initial yield of 5.9 per cent, based on the rental levels prevailing at Billingsgate — £27.40 a square foot. Such a yield is in line with what institutions would expect to realise on a new City property.

At the same time the preferred shares carry entrenched voting rights which gave the holders effective control of the property owning company.

For the moment the shares are listed in Luxembourg but as soon as the London Stock Exchange has detailed its listing requirements they will probably be brought back.

- The final and subordinated layer of securities in Billingsgate is ordinary shares, about a third of which are said to be retained by S. and W. Berisford, the original investor in Billingsgate whose desire to refinance led to the securitisation package. These shares are held privately. They are not entitled to any dividend until after the next rent review in four years time.

This is the highest risk part of the securitisation with a right to 69.56 per cent of any increase in the rental and capital growth of Billingsgate. The holders absorb management costs, corporate tax charges and the risk of any shortfall in the proceeds from a sale of the building at a price under its appraised value.

Billingsgate, then, represents a model of layering securites, although the detail of the structure seems unlikely to be repeated. Analysts have criticised the detail, charging that the financial obligations were too tightly balanced with the rent payable in advance but the dividends and mortgage interest paid in arrears and little margin for the management costs.

But beyond that, every building has different characteristics and every owner seeking finance has different demands which have to be weighed against not only the likely response of investors but against tax liabilities and corporate law.

The great virtue of securitisation in the view of its proponents is that it can meet these demands because it is flexible, because it can use all the techniques of corporate finance raising. Billingsgate uses only a limited number of these techniques. It is possible to branch out into warrants, fee warrants and so on.

The second point here is that the flexibility is familiar. Mr Norris has argued that Billingsgate was built on a vehicle that was tried and tested. It used a UK corporate entity that was not dependent on any particular legal, accounting or tax convention which might be changed or abandoned some time in the future. The only thing it lacked, of course, was a Stock Exchange listing—soon to be rectified.

For his part, Mr Humphrey has drawn a distinction between the problems of issuing property income certificates and units in a co-ownership trust on the one hand and securitisation on the other. The first needs regulatory or statutory change. The second does not.

"A securitisation scheme based on a corporate structure and involving the issue of debt securities and preference shares fits clearly and cleanly into existing rules without throwing up these types of problems at all," he told the Profex conference.

A further advantage is that the different securities can appeal to different types of investors. The Billingsgate debentures were tailored for insurance companies and pension funds which would tend to hold the stock rather than trade it. The preferred shares were directed not only at the institutions but also at individual investors both at home and overseas.

This emphasises a strong desire in the property industry to open up new sources of funding. Securitisation is, with the splitting up of properties into small units, part of that process. Crucially it can offer the prospect of short-term profit.

As Christopher Turner, director of the institutional equity department at Alexanders Laing and Cruickshank, noted: "Lack of volatility and lack of liquidity point inevitably to the conclusion that opportunities for short-term performance are much rarer in the property investment than in gilt and equity markets."

That the shape of the new markets is critically influenced by the needs of the players already in the game need not be a surprise. It is how most new markets are started.

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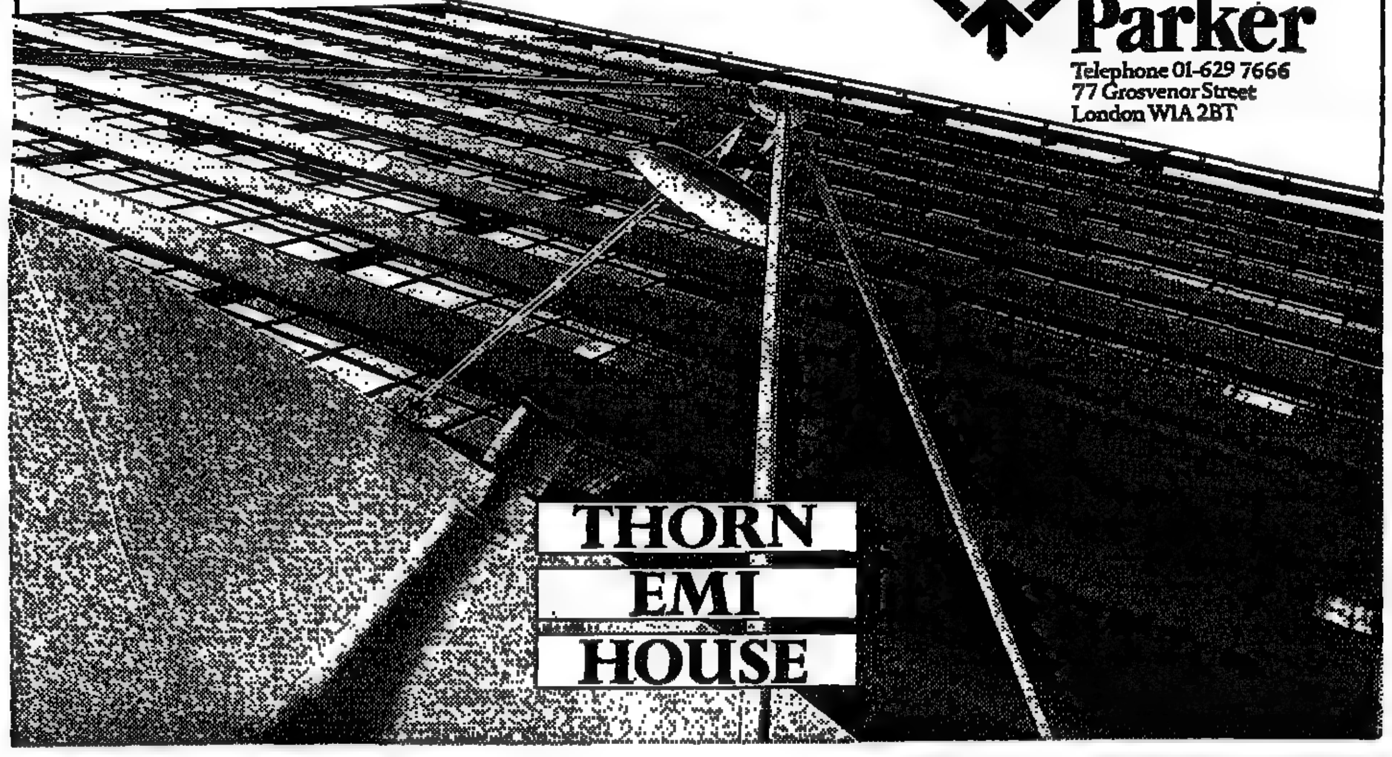

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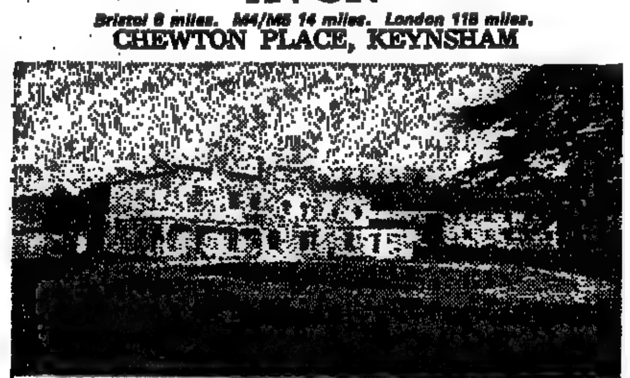

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FT LAW REPORTS

Balance of claim for summary judgment can be stayed

ARCHITAL LUXFER LTD v A. J. DUNNING & SON (WEYHILL) LTD

Court of Appeal (Lord Justice May and Sir John Megaw): January 30 1987

THE COURT may give summary judgment on part only of a claim and stay the balance of the action pending arbitration under an arbitration clause between the parties, not only if the defence relating to the balance is arguable, but also if it raises questions of mixed law and fact which are pre-eminently matters for the expertise of the arbitrator rather than for the court.

The Court of Appeal so held when dismissing an appeal by the plaintiff sub-contractor, Archital Luxfer Ltd, from Judge Newey's decision on a summons for summary judgment under RSC Order 14. The judge had ordered that there should be judgment for Archital against the defendant main contractor, A. J. Dunning and Son (Weyhill) Ltd for £1,541 being part only of its claim for £26,516, the balance of the action to be stayed pending arbitration.

LORD JUSTICE MAY said that Dunning was main contractor for the erection of a hostel at Basingstoke. Archital, a nominated sub-contractor, was a specialist manufacturer and installer of aluminium windows. Its contract with Dunning was in the standard sub-contract form NSC/4, 1980 edition.

Archital claimed in respect of sub-contract monies certified by the architects to be due to it from Dunning. These had not been paid because Dunning claimed it was entitled to set off a greater amount for expense incurred as a result of Archital's delay.

The scheme contemplated by the sub-contract was that Archital was to execute its works in accordance with an agreed programme and in accordance with the main contract works. If it did not do so, Dunning was required to notify the architect and to give Archital a copy of the notification.

If Archital had not complied with the sub-contract it was either obliged to allow an appropriate deduction by Dunning from monies due, or to pay or repay Dunning.

Dunning had two remedies against Archital, namely by way of set-off or as a claim. Before it could exercise any right of set-off, three conditions in clause 23.2 of the sub-contract had to be satisfied.

Clause 23.2 provided: "1. that no set-off relating to delay shall be made unless . . . the certificate of the architect . . . has been issued . . . 2. the amount of such set-off has been quantified . . . 3. the contractor has given to the sub-contractor notice in writing specifying his intention to set-off."

Clause 24 provided that if Archital disagreed the amount which Dunning intended to set off, it should give notice of arbitration.

It was common ground that, subject to possible set-off for alleged delay, Archital was entitled to £26,516. On Archital's summons for summary judgment, Dunning claimed to be entitled to set-off in excess of the total sum claimed. Archital contended that Dunning had clearly failed to comply with any of the three pre-conditions in clause 23.2, and that it had no arguable defence.

Judge Newey held that Dunning's contention that it had complied with all the pre-conditions was at least arguable, save in respect of the first of the architect's certificates, which was for £1,541.

He gave judgment for Archital for £1,541, but held that Dunning was entitled to leave to defend as to the balance. He therefore stayed that balance of the action pending arbitration between the parties.

Archital now appealed. It submitted that the judge had erred, and that Dunning had no arguable defence in law or in fact. If and in so far as the issues were ones of law, then it *further* submitted that they were issues which the court should decide in its favour and give judgment for the full amount.

In *Sethia Liners [1985] 1 WLR 1398, 1401* Lord Justice Kerr said that in applications for summary judgment, if the defendants raised a point of law which the court felt able to consider without reference to contested facts, it would consider it in order to see whether there was any substance in the proposed defence. If it concluded that the point, though arguable, was bad, it would give judgment for the plaintiffs.

He said "The proper course, if the court considers that the plaintiff is not or may not be right, is simply to give leave to defend, and accordingly, in cases where there is an arbitration clause, to refer the whole dispute to arbitration."

In *Chatbrown v Alfred McAlpine, unreported, CA, November 17, 1986* he said that the presence or absence of an arbitration clause could not in general be relevant when a court was considering whether there was any substance in the point of law said to give rise to an arguable defence.

There was no logical reason why it should be. However, there might be cases involving contracts containing an arbitration clause where the judge could take the view that even a point of law which he might have decided gave rise to no arguable defence, ought to be left to the arbitrator with perhaps some special expertise.

However the present case depended on more than the resolution of pure questions of law.

The letter relied on by Dunning as constituting the architects' certificate read "We confirm that Archital . . . have caused delay to the North Block in not completing works in this area in the time originally agreed . . ."

Archital contended that even if that could properly be described as a "certificate," it only referred to delay to the works in the North Block of the hostel. The certificate required by clause 23.2.1 could only relate to failure to complete within "the period for completion." That referred one to the agreed programme details. Those were very general in terms and laid down no specific date for completion of the North Block, thus, said Archital, the architects' letter was not in compliance with clause 23.2.1.

In reply counsel for Dunning drew attention to other letters which had passed between the parties. He submitted that in the light of their contents it was at least arguable that they had come to an oral agreement relating to the date for completion of the North Block. Counsel for Archital drew attention to other letters which he submitted were wholly inconsistent with the suggestion of any such oral agreement.

While the strength of Dunning's point was not impressive, it was not unarguable.

With regard to the second pre-condition, counsel for Dunning argued that the requirements had been satisfied by a letter dated January 29, 1985 making a provisional claim for liquidated damages, loss and expense, incurred by Dunning, during 10 weeks' delay.

The liquidated damages were provisionally assessed at £30,000 and the loss and expense at £19,700.

As a matter of law liquidated damages could never be passed on by a main contractor to his sub-contractor. The letter did, however, contain at least arguably, a sufficient quantification of Dunning's loss within the requirements of clause 23.2.2.

The principal purpose of the procedure envisaged by clause 23 as a whole was to enable a sub-contractor to operate the adjudication provisions of clause 24. Among those was one requiring the sub-contractor to send to main contractor and adjudicator a written statement setting out his reasons for disagreeing with the contractor's notice under clause 23.2.2 and 23.2.3.

Looked at in that light it was arguable that there was sufficient in the Dunning's letter to enable Archital to answer Dunning's contentions and claims to bring the issues adequately before the adjudicator.

Dunning claimed that the same letter was sufficent notice to comply with the third pre-condition. Archital contended it was not—that it merely intimated a claim, but did not give notice of intention to set off.

It was clear from Archital's letter in reply that it realised what Dunning was intending to do, ie that the letter of January 29 was going to be relied on as justifying set-off.

Further, the mixed question of law and fact which the letters raised in relation to clauses 23.2.2 and 23.2.3 were pre-eminently a matter for the expertise of an arbitrator rather than for the court.

For those reasons it could not be said that the defence put forward to the substantial part of Archital's claim was unarguable. The appeal was dismissed.

Sir John Megaw agreed.

For Dunning: Richard Fernyhough QC (Masons).

For Archital: Richard Seymour (Bristows Cooke & Carpmael).

Rachel Davies
Barrister

APPOINTMENTS

Senior posts at Lloyds Bank

LLOYDS BANK has made three senior executive appointments. **Mr Paul Brown** becomes senior general manager in the new Lloyds investment banking group with direct responsibility for overall London-based capital markets activities and their role in support of overseas units of the bank. He was formerly general manager, international banking with responsibility for Europe, Middle East and Africa. Mr Brown is succeeded by **Mr Peter Bareau**, formerly general manager, strategic planning, who in addition to becoming general manager for Europe, Middle East and Africa will assume overall responsibility for Lloyds Bank's international private banking activities. The new general manager, strategic planing, is **Mr Keith Stanger**. He was appointed assistant general manager, support services, in Brazil in 1982.

★

Mr Frank W. Knight and **Mr Derek R. J. Stewart** have joined the board of UNITED BISCUITS (HOLDINGS). Mr Knight is chief executive of UB Foods Europe and is responsible for the group's manufacturing activities in the UK and Europe. Mr Stewart has been company secretary since 1972.

★

Mr Axel P. Illenseer has been appointed head of the newly formed strategic position unit in the London foreign exchange division of MANUFACTURERS HANOVER. He joins Hanover from Chase Bank in Frankfurt where he was a vice president and chief dealer.

★

ASPEN COMMUNICATIONS has appointed **Mr David Seabrook** commercial director of its wholly owned magazine printing subsidiary, Pensord Press. He joins from a Hong Kong-based Inchcape subsidiary, Gilman & Co, where he held general management responsibilities.

★

TURNER & NEWALL has appointed **Mr Brian Williams** a director of Storeys Decorative Products. **Mr John Rose** has been appointed production services director of T & N's subsidiary Coopers P. Filters. He has joined the group from London Transport.

★

THORN EMI MICROLOGIC has appointed **Mr Michael White** its chief accountant. He joins from McDonnell Douglas Information Systems (MDIS), where he was UK management accountant.

★

Mr Riccardo Di Bella has been appointed managing director of HERMES PRECISA UK. He has worked for Olivetti for 11 years, the past six in the UK, and has held a number of management positions.

★

At THE WM COMPANY **Mr Owen Scott** has been appointed to the board as a director responsible for personnel and internal consultancy. He joined WM in 1985 as head of personnel where he developed the role of personnel as a management function.

★

SLEEPEEZE has appointed **Mr Trevor Lay** as a full board director. He will assume responsibility for sales and marketing. Mr Lay was previously an associate director.

★

Mr Kevin Wilson has been appointed managing director of SERCK HEAT TRANSFER, a member of the BTR Group. He was previously sales director and general manager.

★

TSB ENGLAND & WALES has appointed **Mr John Boreham** as head of corporate finance. He joins TSB from Midland Bank where he was general manager, domestic division with responsibility for corporate banking. **Mr Michael Campion** has been appointed chief advances manager for TSB England & Wales. He was previously regional advances manager. Both Mr Boreham and Mr Campion will be based in the Lombard Street head office.

★

EGERTON TRUST has elected three directors: **Mr Sam Wright**, managing director of Egerton Inc, the newly formed US subsidiary, **Mr Dennis Coombs**, managing director of the sheltered homes subsidiary, Ruskin Homes and **Mr Richard Beale**, managing director of the housing development subsidiary, Denehurst Homes.

★

BENLOX HOLDINGS has appointed **Mr Andrew Millar** as its chief executive. He was recently appointed chairman of Benlox Holdings. He is an investment finance and development capital specialist with directorships in Airborne Group and Euro-Magnetics Products. He was formerly chairman of Nolton.

★

MAYFLOWER GROUP has announced the demerger of Currency Brokers International. **Mr Brian J. Deeble** and **Mr Michael G. Young** have resigned from the boards of Mayflower Group and Mayflower Holdings. **Mr Christopher J. Maile** and **Mr Michael H. Young** have resigned from the board of Currency Brokers International and **Mr M. S. Lawson** has resigned as secretary of that company. The new board of Currency Brokers International is as follows: chairman and joint managing director, Mr Deeble; joint managing director, Mr Young; directors, **Mr Raymond Davies, Mr Spencer Freeman-Haynes, Mr Brian Hugh-Jones.**

★

KRAFT FOODS has launched its frozen foods business as a separate division. The new division, Kraft Frozen Foods, takes over the manufacture, marketing and sales function of the company's two major branded ranges—"Brains" and Kraft. **Mr John Foley**, who was formerly marketing director of Kraft Foods, has been appointed chief executive of Kraft Frozen Foods division.

★

The following have been appointed to the board of YERSHON GROUP: **Mr John Day, Mr Mark Jamison** (group finance director), **Mr Colin Macleod** and **Mr Colin Robinson. Mr Philip Reddaway** and **Mr Nick Skutezky** have been appointed to the boards of Yershon Media Management and Yershon Media Buying.

★

PRIME MOVER MAINTENANCE has appointed **Mr Alex Dron** as its new director and general manager. He joins from the Weir Group, where his last appointment was general manager of Al Taj Weir in Oman.

★

MARLBOROUGH TECHNICAL MANAGEMENT has appointed **Mr Jonathan Peacock** as managing director of MTM Chemicals. He was previously managing director of BTP Cocker Chemicals and Walles Dove Bitumastic and formerly held a variety of posts within ICI.

★

Mr Christopher Gulliver has been appointed managing director of ROBERT ASHLEY & CO with particular responsibility for the new corporate acquisitions and disposals services. He has been a divisional chairman and managing director of trading companies within two public companies. **Mr Jody Chatterjee** has been appointed director for marketing.

★

GEO BRAY & CO has made three appointments to the board: **Mr Jack Fletcher** (production director), **Mr Ken Golding** (commercial director) and **Mr Jeff Kipling** (finance director). Mr Fletcher was production manager. Mr Golding was production planning and supplies manager and Mr Kipling company secretary.

★

CONTROL TECHNIQUES has appointed **Mr Philip Sewell** as managing director of its large drives division, KTK (Newtown).

★

Mr David Pickford, former chairman of Haslemere Estates, has been appointed a non-executive director of ASHBY & HORNER TEAM CONTRACTS, the development and design build subsidiary of the Ashby & Horner group.

★

In a move directed at further developing its services and increasing revenues, HONEYWELL INFORMATION SYSTEMS has created a third-party business unit known as external services group, and has appointed as its director **Mr Paul Brennand**, previously branch sales manager for the south east region.

★

REED BUSINESS PUBLISHING has appointed personnel director **Mr Jeremy Elwes** to the board.

★

Mr James Morgan Jones has been appointed finance director of WATERGLADE INTERNATIONAL HOLDINGS. He joined Waterglade International on November 1 1986 as financial controller, having been finance director of Tarmac Properties since 1977.

FINANCIAL TIMES
PUBLISHED IN LONDON • FRANKFURT • NEW YORK
Head Office: The Financial Times Ltd, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: (Editorial) 8954871. Telex: (Advertising) 885033. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd, Guiollettstrasse 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 75981-0. Editorial: Guiollettstrasse 54. Telex: 416052. Telephone: 7598-157. New York Office: The Financial Times, 14 East 60th Street, New York, NY10022, USA. Telex 238409 FTOL. Telephone: (212) 752 4500.

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THE ARTS

Arts Week

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Opera and Ballet

LONDON

Royal Opera, Covent Garden: the new production of Norma by John Copley offers Bellini's awesome title role to Margaret Price. John Pritchard conducts, and Alicia Nafé, Giuseppe Giacomini and Gwynne Howell are the other principals. Last performance of the current Rosenkavalier revival, with Felicity Lott, Ann Murray, Hans Sotin and Barbara Bonney, conducted by Bernard Haitink (240 1066).

English National Opera, Coliseum: Gounod's Faust, one of the brightest ENO successes of recent seasons, comes back with substantially the same roster – Jacques Delacôte as conductor, Arthur Davies and Helen Field as Faust and *Marguerite but a* new Mephistopheles in the Danish Ulrik Cold. Further performances of the new Tosca, set by Jonathan Miller in the last phases of Mussolini's Fascist regime, with Josephine Barstow in the title role; last of the Queen of Spades revival, a "partial" but poetic vision, with an unforgettable Countess from Sarah Walker (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet in The Sleeping Beauty.

WEST GERMANY

Berlin, Deutsche Oper: Tannhäuser stars Gundula Janowitz, Janis Martin, Harald Stemm and Spas Wenkoff. Zar und *Zimmermann is a well* done repertoire performance. Otello has fine interpretations by Pilar Lorengar, Franco Bonisolli, George Fortune and David Griffith. Also Der Barbier von Sevilla and Die lustigen Weiber von Windsor.

Hamburg, Staatsoper: Der fliegende Holländer features Lisbeth Balslev, Theo Adam, Horst Laubenthal and Kurt Moll. *Zemlinsky's rarely play*ed Eine Florentinische Tragodie Der Geburtstag der Infantin has In*ga Nielsen, Elisabeth Steiner*, Kenneth Riegel und Victor Braun in the main parts. Manon Lescaut has Natalie Troitskaya, Rachel Joselson and Tom Kruse. Don Carlos brings Linda Plech, Giuliano Cinnella and Kurt Moll together.

Frankfurt, Opera: Aida, conducted by Michael Gielen has Awilda Verdejo brilliant in the title role. Le Nozze di *Figaro is a new production by* Jürgen Gosch. The cast includes Hildegard Heichele, Nan Christie, Anny Schlemm, Marianne Rorholm, Wolfgang Schöne and Tom Fox. Louis Quilico is repeating his much praised performance in the title role in Falstaff. Der Freischütz has a particularly strong cast with Helena Doese, Barbara Bonney and Walter Raffeiner.

Cologne, Opera: This week's highlight is Elektra with Gwyneth Jones outstanding in the title role, and Helga Dernesch, Nadine Secunde and Harald Stamm singing other leading parts.

Stuttgart, Württembergisches Staatstheater: Cav and Pag features Waltraut Meier, Julia Conwell, Carlo Cossutta and Raymond Wolansky. Otello is well cast with Julia Varady, Bernd Weikl and Roland Bracht. *Der Liebestrank rounds off the* week.

PARIS

Roland Petit and Ballet National de Marseille present The Blue Angel at the Palais des Sports, Porte de Versailles (4828 4010).

ATYS followed by the Paul Taylor Dance Company with Roses to Wagner, Last Look to Donald York, A Musical Offering to Bach. Opéra Comique, Salle Favart. (4296 0611).

VIENNA

Staatsoper: Rigoletto conducted by Boncompagni with Devia, Sasaki, Hintermeier; Die Tote Stadt conducted by Hollreiser with Armstrong, Gonda, Denning, Hintermeier, King; *Der Rosenkavalier* conducted by Wallberg with Popp, Lipovsek; La Traviata conducted by Saccani with Gruberova (51 444/2655).

Volksoper: Hansel und Gretel conducted by Bernet; Der Bettelstudent conducted by Bauer-Theussl; Der Vogelhändler conducted by Artmueller (51 444/2657).

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Manon conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas. It joins the repertory of La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, *Gail Robinson*, Tatiana Troyanos, David Rendall and Julien Robbins; and Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrick Rootering. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The company's 85th sea*son continues with mixed pro*grammes including Jerome Robbins' Moves and Paul Mejia's New Ballet No 2. Lincoln Center (870 5570).

International Festival (City Center): Ballet Rambert performs eight new works, including pieces by Michael Clark, Christopher Bruce, Ashley Page and Richard Alston, in a week of mixed programmes. 55th E. of 7th Av. (246 8989).

Twyla Tharp Dance (Brooklyn Academy of Music): Two premieres, Ballare performed to Mozart and In the Upper Room with music by Philip Glass mark the week-long mixed programme of Ms Tharp's choreography and dance direction. Ends March 1. (212) 944 9300.

WASHINGTON

Washington Opera (Terrace): Monteverdi's Coronation of Poppea directed by Christopher Alden and conducted by Nicholas McGegan puts Nero's Rome in a contemporary big-business setting with Emily Golden, Rodney Hardesty and Will Roy. The week includes Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. Kennedy Center (254 9895).

Music

BRUSSELS

Palais des Beaux-Arts: Belgian National Orchestra conducted by Avi Ostrowsky with Miriam Fried, violin. Verdi, Brahms, Dvořák (Wed). (512 50 45).

Conservatoire: Julian Bream, guitar. Scarlatti, Bach, Villa Lobos (Mon); Trio Amati, Beethoven, Mendelssohn, Scarlatti (Tue). (511 0427).

VIENNA

Austrian Youth *Philharmonic* Orchestra conducted by Christoph Escenbach, piano. Mozart. Konzerthaus Mozart Saal (72 12 11).

Alexander Jenner, piano. Beethoven, Brahms, Schumann, Scriabin. *Musikverein* (Tue).

Kuechl Quartet: Haydn, Webern, Schubert. Musikverein Brahms Saal. (Wed).

Vienna Symphony Orchestra conducted by Heinrich Schiff with Clemens Hagen, cello. Mozart, Lutoslawski, Beethoven, Konzerthaus. (Thur).

NEW YORK

Carnegie Hall: Cleveland Orchestra: Christoph Dohnanyi conducting, Kyung Wha Chung violin. Sibelius, Prokofiev, Janacek (Wed); San Francisco Symphony. Herbert Blomstedt conducting, Andras Schiff piano. Bartok, Bruckner (Thur). (247 7800).

Merkin Hall (Goodman House): Daniel Stepner violin and Seth Carlin piano recital on original instruments. Mendelssohn, Beethoven, Schubert, Schumann (Mon); New York Woodwind Quintet with Daniel Phillips violin. Reicha, Etler, Stravinsky, Mel Powell (world premiere), Francaix (Tue); Goliard Chamber Soloists with Judith Mendenhall flute. Bach, Roussel, Ravel, Mendelssohn (Wed); Music Spectrum, Boris Berman music director and piano. *Smetana*, Janacek, Dvořák (Thur). 67th *w. of* Broadway (362 8719).

LONDON

John Ogdon 50th birthday celebration: *London Philharmonic* conducted by John Lubbock with John Ogdon, piano. Wagner, Ogdon, Brahms and Rachmaninov. Royal Festival Hall (Mon). (928 3191).

Endymion Ensemble conducted by Oliver Knussen. Ravel, Schoenberg, Knussen, Sexton and Ligeti. Purcell Room (Mon). (928 3191).

Chamber Orchestra of London conducted by Ivor Bolton with Jean-Louis Steuerman, piano and Michael Thompson, horn. Mozart. Barbican Hall (638 8891).

Philharmonia Orchestra conducted by Andrew Davis with Lynn Harrell, cello, Yvonne Kenny, soprano and Henry Herford, baritone. Dvořák and Nielsen. Royal Festival Hall (Tue).

London Symphony Orchestra conducted by Richard Hickox with Lorraine McAslan, violin. Prokofiev, Tchaikovsky and Holst. Barbican Hall (Tue).

English Chamber Orchestra conducted by Philip Ledger with Emma Johnson, clarinet and Jose-Luis Garcia, violin. Handel, Mozart and Vivaldi. Barbican Hall (Wed).

PARIS

Paris quartet: Telemann, couperin, C.P.E. Bach (Mon). Salle Gaveau (4563 2030).

Orchestre Colonne conducted by Pierre Dervaux with Igor and Valery Oistrakh and Colonne Orchestra Choir conducted by Jean Sourisse: Mozart, Beethoven (Mon) in Salle Pleyel (Wed). TMP-Chatelet (4233 7289).

Silvia McNair, Soprano, Hanna Schwarz, contralto, London Mozart Players conducted by Jane Glover (Tue). TMP-Chatelet (4233 0000).

Livia Rev, piano: Beethoven, Debussy, Liszt, Chopin (Tue). Salle Gaveau (4563 2030).

Orchestre de Paris conducted by Sylvain Cambreling, Christiane Eda-Pierre, soprano: Rossini, Chausson, Dutilleux (Wed, Thur). Salle Pleyel (4561 0630).

Gianna Bolandi, soprano, Harry *Dworchak*, bass, Lausanne Chamber Orchestra conducted by Lawrence Foster (Thur). TMP-Chatelet (4233 0000).

Jeffrey Grice, *piano*: Schumann, Fauré, Ravel (Thur). Salle Gaveau (4563 2030).

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of *Edwin Drood* (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic *is an ingenious musical* with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Ghost on Fire (Goodman): The latest play by Michael Weller, called the Chekhov of his generation for his intelligent sadness in plays like Moonchildren and Loose Ends, follows two college friends who try to rekindle their inspiration after making money in Hollywod. Les Waters directs Dawn Arnemann, Peter Aylward and Bill Cobbs. Ends Feb 14. (443 3800).

My Werewolf (Goodman Studio): Theatre X production written by John *Schneider tells the werewolf legend* as a 1940s horror movie, with all the exaggerations of romance, terror and eerie music, for the stage. Ends Feb 22. (443 3800).

WASHINGTON

Les Miserables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

Arsenic and Old Lace (Eisenhower): Jean Stapleton stars in the old chestnut comedy about two proper ladies who put poor man out of their misery while their nephew buries the bodies thinking he is Teddy Roosevelt building the Panama Canal. Ends Feb 14. Kennedy Center (254 3670).

Glengarry Glen Ross (Arena): David Mamet's cutthroat real-estate salesmen show off one aspect of the soft underbelly of American capitalism in its bastion of political support. *Ends March 8.* (488 3300).

SPAIN

Madrid, Where Is The Party by Dutch group Pigeon Drop. A series of sketches and gags by three actors and three musicians. A sort of pantomime, musical, cabaret show. Teatro Martin, *Santa Brigida* 3 (222 93 52), until end of March.

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the ro*mance in Leroux's 1911 novel*. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. *Hal Prince's* alert, affectionate production contains a superb central performance by Michael Crawford. *A new, meritorious and pal*pable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by *Julia McKen*zie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Mer*rick's tap-dancing extravaganza has* been rapturously received. (836 8108).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanisch actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

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THE ARTS

Cinema/Nigel Andrews

The jungle thwarts madcap dreams

The Mosquito Coast directed by Peter Weir

When The Wind Blows directed by Jimmy T. Murakami

Just Between Friends directed by Allan Burns

A Judgment in Stone directed by Ousama Rawi

Macaroni directed by Ettore Scola

Scene from "The Mosquito Coast"

When the end of the world comes, whom would you prefer as a companion: a visionary who claims to know all the answers or a soulmate who knows as few of them as you do?

Nuclear war is a terror invoked in both *The Mosquito Coast* and *When The Wind Blows*. The second gives us the British blitz spirit— tea, hope and stoic optimism—up against the Bomb in an animated version of Raymond Brigg's apocalyptic strip cartoon. The first slaps up on screen Paul Theroux's novel about a messianic American breadwinner who suddenly decides his family cannot live on sliced loaves and junk culture alone. So he takes them off to the jungle to build a new life and a new rapport with nature, keeping them there, when they want to return, with tales that the holocaust has happened back home.

The Mosquito Coast is wonderfully brought to life by Australian director Peter Weir and star Harrison Ford, last teamed in *Witness*. Given the story's semi-crazed inventor hero Allie Fox and his pliant wife and four kids, the temptations of dramatic hyperbole loom large. (In a different kind of film we might have had a *fully paid-up crack-pot specialist* like Dennis Hopper in the main role.) But as Fox and family bundle themselves off to a remote village in the Central American jungle—a frail craft of togetherness propelled by the outboard motor of Allie's rantings against American materialism—the pace is sure and the acting is supple and subtle. Even the plot's totemic nasties—the unctuous Reverend Spellgood (Andre Gregory) and the three desperadoes who become a Nemesis to Allie's Hubris are camouflaged in a spry down beat plausibility.

Ford himself wears the born-to-it machismo of his blockbuster roles, as Han Solo and Indiana Jones, and adds the warning incongruity of pebble glasses and Hawaiian shirt. He looks like a hybrid of matinee idol and Midwest tourist, with a dash of mad scientist thrown in. And as he goes about rebuilding the huddle of jungle shacks to which he has bought the title of Mayor, under the misapprehension that the place was a town, he is such an overgrown baby and appealing loudmouth that you have no trouble with the tale's main enigma: why the family stays with this fanatic who is endangering all their lives.

The novel had a tendency to swig large draughts of 70-proof Joseph Conrad. Its three dream-destroying interlopers seemed like the baddies from *Victory* given a second outing. And Allie Fox himself took shape as a kind of Lord Jim Nostromo, a man who in running from a nightmare never catches up with his coveted dreams.

Weir makes all this potential grandiloquence work. Amid scenes of the hero's rampaging zealotry and obsession, the film's quiet moments have a superbly judged impact: an aerating, God's-eye-view helicopter shot of the jungle *roof*, pierced by the steel-clad idol of Allie's ice plant; or a lyrically held slow shot of Allie's wife (Helen Mirren) turning her head to sniff the overdue tranquillity when Allie departs one day for the nearest town. Even the story's final helpings of tragedy, threatening to overload our plate with fires, thunderstorms, invocations of the holocaust and sudden death, have a savour and strong intelligence as staged in the movie. For this family is destined, like history, to go on repeating its mistakes until they, or *mankind*, have learned from them.

*

Some mistakes are too final to repeat and too terminal to learn from. *When The Wind Blows*, Raymond Briggs's powerful faux-naïf comic strip about Jim and Hilda Bloggs and their brush with the Bomb, has already been adapted for stage and TV. Now it is a £2m animated feature. Voiced by John Mills and Peggy Ashcroft, our humble rustic couple once more face the power of a thousand suns with the brain power of two addled turtles. Consulting nuclear defence pamphlets, they build their lean-to refuge with unscrewed doors propped against the parlour wall; they stock up with their supply of tinned food, cutlery, bandages and the like; and they are still demurely taken aback when the blast comes, blackening their house, turning the spring countryside into a Stygian winter and inching them slowly, painfully towards death.

Though the fable is powerful, the film's treatment sometimes tacks between the too plain and too fussy. Too plain with the pudding-head cartoon couple primitively manoeuvred round their doll's house set; too fussy with the sudden bursts of animation in a different style (swirling expressionist monochrome, for instance, for the holocaust). But Briggs's story still packs a punch: the grim comedy of two people dealing with the end of the world as if it were Mr Hitler lobbing V-bombs at us and there was still time for a cup of tea between the air raids.

*

After this, *Just Bewteen Friends* is an abrupt descent into triviality. Mary Tyler Moore, once the Empress of TV comedy, here dons her serious acting outfit—a case of the Empress's new clothes—to step into this sudsy tale of love and bereavement in American soapurbia.

Miss Moore plays a seismologist's wife whose husband (Ted Danson) is having an earth-moving affair with a TV newscaster (Christine Lahti). Miss Lahti — *the adulterous connection being unknown to both women when they meet* — becomes Miss Moore's best friend after they encounter each other at an aerobics class. (Where else, in an upwardly mobile Hollywood soap?) Soon the husband dies, from a nasty attack of we-need-this-character-out of-the-script. *And the question* pings up and hits us in the eyes: will the truth become known and if so can Moore and Lahti, who now finds she is pregnant by the late Mr Danson remain friends?

Almost certainly, alas, they can. This allows more play for Moore's stabs at serious acting, and more dialogue which seems to be composed almost exclusively along the lines of "I love you", "I hate you", "Oh God" and "What are friends for?" Friends, in this case, are for directing one to another cinema.

*

A Judgment In Stone is the tale of dyslexic English housekeeper Rita Tushingham, who concludes her period of service with the wealthy American Coverdale family by shooting them all dead with a shotgun. The servant problem is of course a difficult one. But families like the Coverdales must understand that if their home help cannot read *shopping lists* or orchid-watering instructions, *they (the Coverdales) cannot be* surprised if the kitchen is ill supplied and the conservatory looks like the hanging gardens of Babylon after a monsoon. The resulting frustration on both sides is bound to lead to violence, possibly murder.

Miss Tushingham's husband Ousama Rawi directed this ripe old nonsense, whose moral seems to be that dyslexia is no joke. Indeed it is not. Even less should it be the plot-propellant for a lurid and crudely implausable little shocker.

It is certainly a week for death. In Ettore Scola's *Macaroni* Marcello Mastroianni pegs out on an Italian beach after an eventful week of reunion with wartime friend Jack Lemmon. This likeable co-production comedy has a plot with as many twists as a corkscrew and some fine sentimental wine when the cork is out. Minor but enjoyable.

Madame Bovary/Palace, Watford

Martin Hoyle

Practical French critics have noted that Flaubert's *Madame Bovary* is less about love than the havoc wrought on a stupidly unrealistic woman by lack of money. No relevance, intended or otherwise, to Mrs Thatcher's Britain can be detected in Lou Stein's production of Edna O'Brien's stage adaptation; nor indeed much relevance to recognisable human motivation in this lifeless parade of pasteboard characters who occasionally lapse into the ripe idiom of period romance.

Miss O'Brien, one suspects, is healthily unaware of the agonising creativity of Flaubert, impaled on *"les affres du style."* Her dialogue is either prosaically modern ("Charles sort of stole up on me," is how Emma explains her marriage to the plodding doctor) or rhapsodic ("I envisage you naked — I must have all of you!"). Chief sufferer is Brian Deacon's aristocrat, whiskered like the wicked *squire of melodrama* and emoting accordingly. He is helped by the production's liking for dry ice and artificial moonlight that vividly recalls those studio skies in the old Olivier-Merle Oberon *Wuthering Heights*.

The story of a not-too-bright woman, bored by provincial life and deluded by shop-girl romanticism, *is* played out on a stage full of nice antique furniture with walls that are flown in and out. This has its disadvantages, as when the parlour walls are hoisted to half-mast, birdsong echoes, and a walk in the park entails the nifty manoeuvring of a period perambulator amidst an eight-piece suite. A carriage is lowered from above to crashing and offstage swearing, for Emma and her paramour to leap into for a mad drive, only they leap out again 10 seconds later—a waste of an elaborate and expensive effect.

This Reader's Digest, or rather strip cartoon, approach characterises the adaptation. This is *Bovary* without the Madame. Subtle observation is lacking the kitsch of arty provincials for instance, when young Leon talks of the famous musician playing the piano out of doors in inspiring scenery. The events remain, but so skeletally that it seems a crib sheet for school children on the book. Bored housewife Emma has only to meet a man to be weeping over some apparent relationship five minutes later. Supporting characters helpfully remind her of the plot. "You fell into the garden; you almost drowned; I saved you," remarks a loyal servant suddenly a few seconds after, jilted by her lover, she has brandished a pistol at obliging passers-by who just as obligingly disappear. "I almost died; I'll tell you about it some time," she informs the caddish aristo, but declines to let us in on it.

A supremely intelligent actress, Helen Mirren, gives glimpses of the real Emma, the vulgar bourgeoise impressed by the nobility, a Lydia Languish fantasising in small-town France. (A swirling soundtrack takes over when she plays the piano.) The death by poison is moving, but this Emma is mainly unmotivated and unmotivating—her ambitions for her husband, notably in the grotesque club-foot operation, are barely hinted at. Support varies from Michael Byrne's slightly bewildered Charles to a callow Leon whose chatty declaration of "there's nothing you don't know about love and pleasure" lingers in my memory yet.

Alastair Muir

Brian Deacon and Helen Mirren

Salieri's Falstaff/Teatro Regio, Parma

William Weaver

Probably few people, even among the many who saw the film *Amadeus* or the Peter Shaffer play from which it was derived, really believe that Antonio Salieri poisoned his younger rival, Mozart. But, no doubt, a number of admirers of the Shaffer story are convinced that Salieri was a mediocre, negligible composer. Perhaps only the loyal citizens of the Northern Italian town of Legnago, Salieri's birthplace, have always been convinced of their compatriot's gifts. Especially since *Amadeus*, Legnago has organised concerts and various events to promote the favourite local son.

A short time ago further evidence on Salieri's behalf was presented by the Hungaroton recording of the composer's *Falstaff*, first performed in Vienna in January of 1799, towards the end of Salieri's theatrical career. Now Italian audiences have been able to judge the work even more adequately, thanks to a handsome production at the Teatro Regio in Parma.

Salieri's librettist, a certain Carlo Prospero De Franceschi, seems to have based his text on an earlier Singspiel. In any case, the work is admirably laid out. Anne and Fenton are eliminated, as we might expect in the late 18th century. Here there is no room for romance, only for high-spirited fun. Mistress Page and her husband are renamed the Slenders. They, the Fords, Falstaff, and two servants (Bardolph and the Fords' maid Betty) make up the agile cast. The three tricks played on the fat knight are neatly varied; and De Franceschi gives the composer ample *opportunities for introducing* familiar and effective operatic ingredients: an echo aria, a minuet - with - singing (alla Mozart), a festive opening chorus, a female trio punctuated with silvery laughter.

Not all the characters, however, are comic. Ford (here a tenor) is seriously jealous, seriously in love with his wife. Though Falstaff has none of the crepuscular melancholy of the Verdi version, he is by no means a clown; and—like Leporello—Salieri's Bardolph displays a streak of plebeian cynicism and reality.

Göran Järvelt, who staged this Parma production, was careful not to overload it with gags or extraneous bustle. Fortunately, in Domenico Trimarchi, as Sir John, he had an excellent clown at his disposal. Trimarchi mugged and swaggered; still, he was always in character and was never unsympathetic. As Alice Ford, Cecilia Gasdia revealed a new talent for comedy. Obviously, she was more restrained than Trimarchi, but there was a sparkle both in her acting and in her singing. The libretto, at one point, required her to pretend to be a German maid-servant: she created a delightful character.

As the Slenders, Carlos Chausson and Jadranka Jovanovich did a good job: he, dark-voiced and wry; she, warm and pretty. Neither seemed particularly versed in 18th century style, however. The same could be said for the tenor José Antonio Sempere, who was Ford: passages requiring agility caused him some pain, but the voice is clear and sweet, with *a nice top. He is worth watching.* Romano Franceschetto, another young artist, was a promising Bardolfo (his enunciation was excellent; and this could not be said for the others, except the splendidly distinct Trimarchi). Wilma Colla, as Betty the maid, offered a positive contribtuion. In fact, all the ensembles went well.

Some years ago, Hubert Soudant, already familiar here as a symphonic conductor, led a stirring Regio production of Verdi's *I due Foscari*. With this *Falstaff* he demonstrated again his operatic skill, his sensitvity to singers, his ability to pace a performance. The evening never dragged, and never seemed rushed: Salieri's grace and wit were nicely conveyed. The regional *orchestra* showed its mettle (the solo winds were especially lyrical). The chorus was not asked to do much, but that little was done stylishly.

Koki Fregni designed an elegant unit set: two curved, facing rococo walls with balconies (or boxes) and, at the back, an aperture where simple, appropriate backdrops could be lowered for the numerous scene-changes. Nica Magnani's costumes, for the most part, had the authentic appearance of genuine clothing; for the final *féerie*, the costumes were magical.

A full-scale revival of a serious Salieri opera, like *Les Danaïdes*, is probably an assignment for a larger, and more wealthy house; but this eminently successful *Falstaff* surely whets the appetite for further Salieri exploration.

Wand/Festival Hall

Dominic Gill

The BBC Symphony Orchestra's concert under Günter Wand on Wednesday evening was an event of rare distinction. *It should not be so rare:* but in the context of present-day London music-making—where dull, ill-rehearsed and featureless performances directed by an assortment of *sans-talent* with recording contracts are the rule rather than the exception—a concert in which there is evidence of any real rapport at all between conductor and orchestra, and which is sustained by even the faintest original creative current, is a powerful tonic.

On Wednesday the rapport was electrifying, and the creative current sustained with the greatest elegance and precision, from first to last. The evening's tour de force was Chaikovsky's Pathetique symphony; *but before* that Wand directed an account of Mozart's 40th in G minor whose every rhythm and texture, in spite of a virtually full-size modern string complement, had marvellous lightness and clarity. "Coolly elegant" might be the superficial response, if so much warmth, and passion, were not *implicit between every line*.

It is part of Wand's quality (as it is part of the quality of every great conductor) to create his musical structures, and make his musical points, without distorting or forcing any part of the whole — and indeed, as often as not, without even seeming to create them or *make them. Careful understatement*, and the precise placing of climaxes, are as integral to Wand's methodology as stick-waving bombast is to the general stock in trade.

In this respect his Mozart symphony was a small miracle of allusion — whose close focus and concentration always hinted at, but never crushed with over-emphasis, a dozen delicate, ambiguous strands on every page. And the very restraint of his suggestions in Chaikovsky's Sixth — the tiny flicker of anguish in the trio of the second movement, the almost imperceptible wave of the wrist which gave emphasis to the deep sizzle of the tam-tam during the final, terrifying brass quartet utterance — were the more poignant, and the more arresting, *for never being hammered home*.

Wand's attention to the detail of the texture, to the almost palpable grain of every Chaikovskian sonority, was as exhilarating as it was scrupulous, and the BBCSO responded with vivid enthusiasm—I have not heard them play with such unanimity, and with such inspired intensity and passion, for years: perhaps not since their memorable *Daphnis et Chloë* under Boulez more than a decade ago. The Pathetique is one of the most familiar, and by now also one of the tiredest, warhorses in the repertory; but Wand's performance was a renewel of such cultivation, conviction and freshness that without difficulty one fell in love with the music all over again.

Livschitz Trio/Purcell Room

Andrew Clements

String trios must grow accustomed to trawling for repertory; with few (perhaps only two) masterpieces for the medium, the temptation to throw in the towel and recruit a second violin must sometimes be hard to resist. The members of the Livschitz Trio all have another professional life in the Zurich Tonhalle Orchestra, but the group has been established now for ten years and clearly has found ways to enrich and *broaden the scope of its programmes*.

One of those ways is to invite a guest instrumentalist to revive one of the miscellaneous quartets that lie in the byways of the 19th century, and the Livschitz did exactly that in their London debut recital on Wednesday night. Andrew Marriner was brought in for Hummel's Clarinet Quartet in E flat from 1808; a charming, blameless piece as presented here, not unnaturally deep in debt to Mozart's Quintet, but with a perky, characterful scherzo, over-long slow movement and gracefully turned finale.

It seemed rewarding to play, but then everything the Livschitz did was born of enjoyment and commitment. Beethoven's D major Serenade OP. 8 had encapsulated the Trio's approach, which might be described as full blooded by an enthusiast, or rough and ready by a sceptic. The price paid for such wholehearted involvement and burning empathy was occasional twinges of sour tuning, passages of course textures and "expression" applied by the bucketful, But the overall impression was always one of musicianly chamber playing, the genuine product of equal partners. The Livschitz recital also included Mark Kopytman's *Cantus II* from 1980, which was at its most convincing when closest to a Bartokian model, and went on to dissipate almost all its tension in an increasingly sectional construction.

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Exhibitions

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had himself built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings of the artist. The exhibition displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

PARIS

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, *objets d'art* and photographs from the end of the romantic period to the beginnings of modern art and the impressionist and Post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.

The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the opera and its district below glass tiles. The view of Paris from the terraces is an additional delight. Musée d'Orsay, Entrance 1, rue de Bellechasse (4549 4814). Closed Mon.

Japon des Avant-Gardes: A multi-disciplinary exhibition of some 500 objects retraces the 1910-70 period in painting, architecture and technology and is completed by a musical, theatrical and cinematographical programme. The influence of Japanese art on Western culture is well-known, the European inspiration of modern creativity in the Land of the Rising Sun much less so. The exhibition shows the tensions and contradictions of artists trying to absorb futurism, Dadaism and surrealism, movements so alien to their own ancestral traditions. Centre Georges Pompidou. Closed Tue, Ends March 2 (4277 1233).

Tarento's Gold: Some 1000 exhibits, of which 250 are of gold or other precious materials, bear witness to the sumptuous way of life in ancient Tarento. Found in tombs, the treasure consists of earrings, bracelets and necklaces, all exquisitely worked by goldsmiths during the Hellenistic period. Even everyday objects are stamped with the same high artistic quality, as are delightful clay statuettes. Musée Jacquemart-Andre (4289 0491), closed Mon. Ends Feb 13.

Miniature furniture of the Vendeuvre collection, normally housed in the Château Vendeuvre in Calvados on view in the Louvre des Antiquaires. Some of the exhibits were samples of journeymen's skill, others reduced-scale models to tempt some royal client, others elaborate dolls-*house furnishings* or *expressions of* religious fervour. There is something especially appealing in the small dimensions of a 17th century cupboard in turned wood, of an Italian 16th century chest-of-drawers inlaid with ebony, ivory and tortoise-shell and an Empire armchair in mahagony decorated with bronze laurel-leaves. Louvre des Antiquaires, 2 Place Palais Royal, open Tue to Sun, ends March 1 (4297 2700).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

ITALY

Florence: Palazzo Pitti: The theatrical costumier Umberto Tirelli's fine collection of costumes dating from the eighteenth century to the present recently donated to the Pitti's Museum of Costume, particularly striking are the gorgeously embroidered men's jackets from the 1700s. Also includes a section of the costumes made in the Tirelli workshops for productions by Luchino Visconti, *Luca Ronconi, Franco Zeffirelli* and Pier Paolo Pasolini with photographs taken on stage. Ends March 8.

Rome: Galleria Nazionale di Arte Antica: (Palazzo Barberini, via delle Quattro Fontane): Works by Caravaggio, normally spread throughout various museums and churches in Rome (mainly from the Villa Borghese, which houses the largest number) with a handful of paintings of doubtful attribution. Ends Feb 28.

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most *have never been out of China*. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

SPAIN

Barcelona, Edvard Munch (1863-1944): 185 lithos, drawings and his influential graphics of his large output period. Emphasis is his preoccupation with themes of life and death (friezes of life). Fundacion la Caixa, Passeig San Joan 103. Ends March 22.

Madrid, Ben Nicholson (1894-1982): English abstract painter who kept to his idioms with remarkable constancy. His paintings and reliefs are geometrically inspired and derive from the austerer forms of cubism. His abstracts remained unvarying until well after the Second World War, producing monochrome reliefs that relied for their effect on the interplay of finely related surfaces. Sixty-six works on loan by the Tate Gallery, the Moma and Guggenheim, the Kunsthaus and Phillips collection, mostly from 1919-1981. Fundacion Juan March, Castello 77. Ends March 29.

NEW YORK

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 60 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Pierpont Morgan Library: Young Queen Victoria, an exhibit of autograph manuscripts, letters, drawings and other memoribilia commemorate the 150th anniversary of the queen's accession to the throne. Ends April 12.

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Anvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Anvers, where he committed suicide in July 1890. Ends March 22.

Museum of Modern Art: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs starts its American tour showing the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends March 24.

Metropolitan Museum of Art: The Prints of Pieter Bruegel with over 65 works consists primarily of engravings made in Antwerp in the 1560s after Bruegel paintings, but also includes the only woodblock with a *Bruegel drawing on it. Ends March* 15.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

Edo Paintings and Noh Costumes: 22 exquisite works in delightful small museum, part of Okura Hotel. Okura Shukokan Museum. Ends Feb 22. Closed Mondays.

Hokusai Landscapes from The Boston Museum Collection: 100 prints from the 18th century artist Katsushika Hokusai. Tobacco and Salt Museum, Harajuku, set in Tokyo's most fashionable street, a weekend itinerary could also take in the Meiji shrine and gardens, bamboo-shoot street dancers and refreshments at any of the wide variety of elegant cafes. Ends Feb. 8. Closed Mondays.

Saleroom/Annalena McAfee

London picks up steam

The major London salerooms are at last picking up some steam, with both Sotheby's and Christie's holding solid auctions yesterday, mainly of native craftsmanship—Sotheby's selling silver and Christie's furniture.

A George III centrepiece, chased with scenes of Jamaica and the island's coat of arms, was bought for £38,500 by the London dealer Koopman. The centrepiece had been made in 1803 for Alexander Lindsay, 6th Early of Balcarres, and Lieutenant Governor of *Jamaica*.

A pair of George III silver-gilt salvers, dated 1805, were sold for £35,200 to an anonymous buyer. Scottish silver seems to be in demand, with How of Edinburgh, actually a London dealer, paying £23,100 for a set of three Queen Anne casters made by George Scott *in Edinburgh in 1702. They had* been expected to fetch £8,000. A pair of George II candlesticks by David Willaume of London, dated 1730, fetched £24,200, and a George II Treasury inkstand, by Edward Wakelin (London, 1755) almost doubled its estimate of £16,500.

A charming George III tea caddy by *William Vincent* of London (1771), engraved with oriental vignettes, fetched £9,020. The sale made a total of £573,683 with 10.5 per cent bought in.

There was some embarrassment for Christie's before their sale of fine English furniture. A set of four Anglo-Indian chair photographed on the cover of the catalogue and described as silver-mounted, mid-nineteenth century and reputed to have *belonged to the Maharajah* of Rewa, were discovered to have been of a more recent vintage. In a supplementary note sent out by the auction house, potential buyers were told: "these chairs are white metal and are not nineteenth century." Originally estimated at between £6,000 and £8,000, they were bought for £2,750 by an anonymous buyer.

But generally the sale produced good results with the top lot, a Regency mahogany dining table, outstripping its estimate of £3,500 and finally selling for £14,850 to the London dealer Michael Foster. A pair of George III mahogany library armchairs was bought *for* £14,300 by an anonymous buyer and a pair of satinwood console tables was bought for £11,000: both lots doubled their original estimates.

The sale made a total of £379,362 with 12 per cent left unsold.

Sotheby's made one of its rare *forays across* the border on Wednesday night disposing of Scottish pictures and jewels in Glasgow. "A girl feeding ducklings" by Edward Walton sold for £23,100 while a typical Archibald Thorburn of mallards in a snowstorm just about doubled its estimate at £15,400.

FINANCIAL TIMES
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Telegrams: Finantimo, London PS4. Telex: 8954871
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Friday February 6 1987

Budget crisis in the EEC

IN THE drama of the budget crisis of the European Community, the Commission and the member states are all enacting familiar and predictable roles. *The Commission* wants bigger budget resources, and is supported by the Mediterranean states and other natural beneficiaries, like Ireland; but its proposals are opposed by the major contributors, like Britain, Germany and France, and even the Dutch and the Danes are apparently taking a tough line.

Unfortunately, the Community's record, and the origin of the budget crisis, mean that a tough line is the only sensible line. If the Community is running out of money — there is likely to be a shortfall of over Ecu 3bn this year—it is because the wild extravagance of the Community's farm policy continues to absorb two-thirds of the Community's budget, even though the budget revenue has gone up from the equivalent of 1 per cent of the VAT revenues to 1.4 per cent.

Periodically over the years, the member states have appeared to try to take action to curb, or at least control the growth of, the unsaleable surpluses; in practice, the real effects of their decisions have been marginal, because the headroom for productivity improvements by Europe's farmers has been so much greater than the half-hearted restrictions imposed by the member states.

Export markets

Last December, however, the Farm Council took the brave decision to crack down rather severely on milk production and beef intervention. Just where it got the courage and public spirit to do so, remains unclear; but it is probable that the scale of the looming budget crisis must have concentrated the minds of ministers.

By the same token, it is essential that the pressure for further reform of the Common Agricultural Policy be kept up. Some of the required pressure will be supplied by the Americans' concern for their agricultural export markets, as well as by the fact that agriculture will be one of the major items on the agenda of the new Gatt round of trade negotiations.

But the philosophical battle over the future of the Common Agricultural Policy, and over the allocation of the Community's financial resources, must be hammered out inside the Community between the member states. For this reason alone, it is essential there should be no relaxation of the financial squeeze without radical steps to reduce the Community's scandalous farm surpluses.

What has emerged of the papers drafted by the Commission do not seem to point to crisp proposals for radical reform. The idea of automatic stabilising mechanisms, to reduce prices or quotas if output breaks through set ceilings, could have an accessory value.

Implementing reform

But the central requirement is for the Community to take irrevocable steps to move cereals prices down towards world market levels, not because cereals prices are yet a prime culprit for budget crisis, but because cereals prices are a extremely hard. There may be a major factor in the costs of dairy and livestock production. With lower cereals prices, it would be possible and politically more tolerable, to exert further downward pressure on the costs of the milk and beef sectors.

Even if the member states were unanimous on the ultimate objective (which they are not), the difficulty would remain that of transition to a lower cost agriculture. Europe's farmers cannot be reprogrammed overnight, and they are morally entitled to time and help in the implementation of reform. Help, and the disposal of surpluses, could mean a short-term increase in the costs of the farm policy, on the way to a leaner cost structure.

Squaring this circle, and reconciling the competing claims of rival interest groups and rival member states, will be extremely hard. There may be a case for financial provisions to ensure some extra resources do flow through the Regional and Social Funds to the poorest countries, like Portugal and Ireland. But to accede to the Commission's request for a very large increase in the size of the budget, before there is sufficient guarantee that the farm policy is irrevocably embarked on the path to reform, would be to guarantee the abandonment of reform. The time has come to bite the bullet.

Independence of the auditors

BRITAIN'S accountancy profession has long been worried about the number of legal claims outstanding against auditors and the related problem of obtaining professional indemnity insurance cover. It appears much less worried about governmental interference in its affairs, to judge by the robust response of the English Institute of Chartered Accountants and several leading accountancy firms to the consultative document published by the Department of Trade last year on the regulation of auditors.

In its formal response, published yesterday, the Institute firmly rejects the Department's bolder proposals for change in the regulatory structure, including a suggestion for a general auditing council to oversee the way in which members of the profession fulfil their statutory audit role. It dismisses anxieties about the independence of the auditor as purely theoretical and repeats the call for some limitation to the auditor's liability.

The concessions on offer are relatively anodyne. They consist mainly of a review of the accountants' own ethical guidelines, along with support for active monitoring of the quality of audits—though they are not saying anything very specific on what kind of monitoring they believe would be effective. The Institute has also given the audit committee bandwagon a shove by suggesting that all public companies should be statutorily required to have one.

Minimalist approach

Given that the chief purpose of the DTI paper was to ensure the implementation of the European Community's eighth company law directive, this minimalist approach may conceivably pass muster, especially when the accountants appear to have escaped any backwash—so far—from the more pressing scandals on the DTI's doorstep such as Guinness. Yet the issue of independence should not be allowed to drop conveniently from sight, because it is very far from being the theoretical problem the accountants claim.

It is, admittedly, very difficult to prove a lack of independence on the part of an auditor, except in those rare cases where the auditor is actually bribed and caught. But it remains true that auditors are paid by the management, not the shareholders to whom they report; that accountancy standards have been heavily influenced, often for the worse, by accountants in client companies; and that there is an important potential conflict of interest between the role of accountants as auditors and their role as management consultants, tax experts, and so forth.

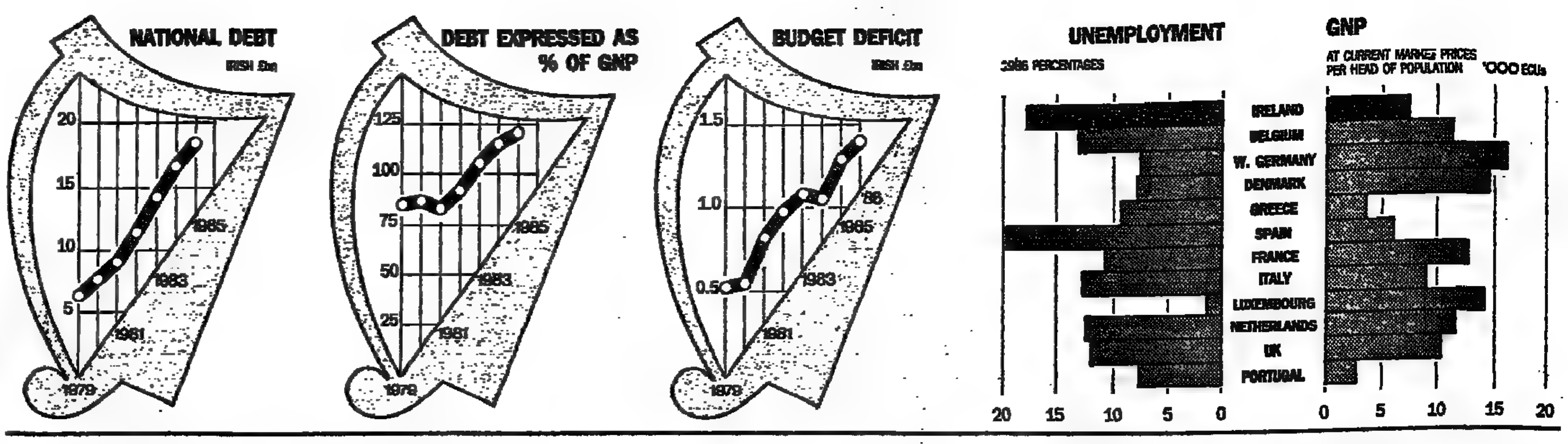
Shareholders benefit

To argue against regular rotation of audits between different firms, as the Institute does, partly on the ground that the American Cohen Committee concluded that audit failures in the US tended to happen in the earlier years of an audit, is not good enough. The Cohen Committee reported in 1978. Even if conditions in Britain and the US are genuinely comparable, the real concern about conflicts of interest has arisen since then on the basis of the remarkable recent growth of non-audit business. Once again the abuse of this conflict is virtually impossible to prove. But there have certainly been suspected cases in Britain of what the Americans call "low-balling," which involves putting in an uneconomic bid for an audit in order to win non-audit business—a practice which casts serious doubt on the independence of the auditor.

The real problem with rotation, and indeed with any more general prohibition on auditors undertaking other activities, is that management can derive direct benefit where the accountant's audit experience is put to use in tax or management consultancy and suffer greater expense if a succession of new auditors has to recoup additional learning costs. Yet the wider benefits of more effective, independent auditing accrue not so much to management, as to the shareholders.

It is a serious indictment of Britain's institutional investors that they stand to lose most from poor auditing but exert less pressure than almost any other group for better auditing, or for that matter better inflation accounting or better standards of disclosure. That is arguably a greater failure in the workings of British capitalism than anything perpetrated by the accountants.

The Irish economy



A hard road or Haughey's gamble

By Hugh Carnegy in Dublin

IRELAND'S pugnacious Minister of Finance, Mr John Bruton, has a talent for no-nonsense diagnosis of his country's economic woes. He was never more effective than last month when Dr Garret FitzGerald's four-year-old Fine Gael and Labour Party coalition collapsed because of disagreement over the budget. Explaining his cost-cutting budget, Mr Bruton fixed the television cameras with a stern look and declared: "This country owes too much money."

It would be hard to find anyone in the republic who disagrees with that.

The Irish are weary of hearing that total debt stands at I£24.3bn (£23.5bn) — equivalent to 148 per cent of annual gross national product.

The total has doubled since the coalition took office late in 1982. But much of the damage was done before that by the 1977-81 Fianna Fail government which borrowed heavily to finance public sector expansion, establishing a vicious circle of budget deficits and further borrowing.

A brake has been put on Ireland's foreign exposure, now about 40 per cent of the total, by funding most new borrowing domestically. A relatively healthy balance of payments coupled with prepayment of much of the most expensive foreign debt which has been replaced with cheaper long-term funds has enabled Ireland to keep on top of its servicing requirements.

The coalition has succeeded in reducing annual exchequer borrowing from more than 15 per cent of gross national product in 1981 to 13 per cent last year. But the Finance Ministry calculates that the ratio of total debt to GNP will not stabilise until annual exchequer borrowing is cut to 8 per cent of GNP.

The ever-increasing burden of debt service had the effect of gravely weakening the economy just when it was squaring up to combat the world recession of the early 1980s.

A crushing spiral of constriction began—taxes, direct and indirect, and interest rates climbed to levels well above European averages, squeezing enterprise and industry. Growth and investment dipped.

Unemployment rose to 19.3 per cent of the workforce by the end of 1986, the second highest in the European Community after Spain.

The slump in morale that all this engendered shows most clearly in the flow of emigration which has built up to levels not experienced since the 1950s. Net emigration is officially put at more than 30,000 a year.

The campaign for the general election on February 17 in which one of the few bright spots is annual inflation, running at less than 4 per cent, has been dominated by the question of how to get the debt problem under control, renew growth and tackle the jobless rise.

"The problem is to stabilise the debt/GNP ratio," says Dr Peter Bacon, chief economist at Goodbody James Capel, stockbrokers. "That means a very sharp reduction in borrowing. But that weakens growth in the short term and makes stabilising the debt even more difficult. So with what measures do you accompany fiscal measures to sustain what economic activity there still is?"

Dr FitzGerald and Mr Bruton have confessed, in effect, that the targets they set in 1982 underestimated the depth of the problem. They argue that the only option is another round of even tougher austerity.

Nonetheless, it seems odd to hear Dr FitzGerald arguing that only his party can sort out the economic mess—after four years in charge the budget deficit represents the same percentage of GNP as in 1982. That is in spite of higher taxes, public sector restrictions and debt rescheduling.

Few, however, would deny his insistence that public spending is still at levels which Ireland cannot afford, outstripping revenue by 30 per cent last year.

Dr FitzGerald wants the election to be fought on the basis of his party's detailed programme of I£210m in cuts this year. But even these, which do not include provision for any new services, would leave current spending rising by I£400m to I£6.2bn this year.

To satisfy the other half of the condundrum pointed out by Dr Bacon—how to sustain growth while the deficits are sorted out—Fine Gael has proposed a series of liberalising measures. It wants to erode remaining restrictive practices and boost private investment in industry, which is con[illegible] party because a large proportion of private savings are sucked into government securities.

Fine Gael's most radical suggestion is partial privatisation of some of state-owned industry—in most cases the state would keep a majority shareholding.

The main candidates for this treatment include the Irish Life Building Society, Aer Lingus, the National Stud, Irish Telecom, the Gas Board and Bord NA Mona, the peat company. All would pose problems because of the heavy debts they carry.

Fine Gael's approach is echoed in many respects by the Progressive Democrats, the confident new party led by Mr Desmond O'Malley, a former Fianna Fail Cabinet minister. For that reason the two are bracketed as potential coalition partners. But the Progressive Democrats—who are attracting 15 per cent of the vote according to the polls—adopt a more aggressive approach to public spending and the need to make room for tax cuts.

So far, however, the opinion polls do not suggest that the two parties can muster enough support to halt Mr Charles Haughey and Fianna Fail.

Mr Haughey has adopted what appears to be a much more ambitious and risky approach. He has committed his party to a strategy of growing out of the debt trap. He acknowledges the need for cuts but has flatly refused to detail where he will make them.

> The Irish are fleeing the country's economic doldrums in alarming numbers Emigration has reached levels not seen since the 1950s

Mr Seamus Brennan, one of the party's economic policy-makers says: "We accept there is no scope for further borrowing.

"Where we differ from (the outgoing Government) is that they seem prepared to wait to get the public finances right before growth. We have to do it concurrently."

Fianna Fail has been careful to make no commitment to new spending, but nor has it shown how its programme would be funded. Dr Fitzgerald has seized on this fact, insisting that the party's programme does imply more borrowing.

Mr Haughey's plan is to produce growth through a restoration of confidence and "better management of economic opportunities."

The central bank has predicted GNP growth this year of 1.5 per cent. Mr Haughey says it can be more; he predicts annual growth of 2.5 per cent over the next four years.

Fianna Fail sees opportunities for growth, especially export gorwth, in argiculture, food processing and horticulture, tourism, financial services, and marine resources.

Nowhere is the outlook very good, however. "This is where I become very pessimistic," Dr Bacon says. "If you look at the output of the major sectors, it is difficult to see where growth will be engendered while you go through the process of correcting the imbalance in the public finances."

In agriculture, which supports up to 35 per cent of total employment, output volume fell by more than 3 per cent last year and is set to fall again in 1987 as the European Community takes action to cut surpluses in dairy produce and beef.

Expansion of agri-business has been limited by Ireland's past over-reliance on, for example, live beef exports and a sluggishness in developing added-value food processing. That might imply some opportunities, but, as one foreign banker said, it also implies that the conditions are not there to make it successful.

Some growth in manufacturing output is expected this year as a result of improved domestic and foreign demand. But a considerable proportion of domestic demand has been leaking across the border into Northern Ireland since indirect taxes were increased above UK levels in 1983. According to some estimates, this trade is running at about I£250m a year.

For some time, Irish manufacturing industry has been kept alive by foreign investment. The 900 foreign companies brought to Ireland by the Industrial Development Authority have played a dominant role in developing manufacturing in modern sectors such as electronics, pharmaceuticals and computer software.

They have made a vital contribution to improving the balance of payments helping to cut the current account deficit last year to I£190m. However much of that reduction was due to improving terms of trade and cheaper oil.

Export growth was stagnant, reflecting the effects of the rising value of the Irish pound against sterling and the dollar and of high domestic interest rates on the competitiveness of Irish industry. On the capital account, outflows of I£1.2bn put pressure on interest rates.

The Industrial Development Authority continues to have considerable success in attracting outside investment. But it has to run hard to stand still because it loses about 5 per cent of foreign companies a year. These are typically older, labour-intensive assembly-type operations. Replacement foreign concerns tend to be production units with better long-term prospects but they employ fewer people and cost more to establish.

Successful domestic industries such as Jefferson Smurfit, the paper, board and packaging makers, Waterford Glass, Cement Roadstone and Abbey Builders, rely almost exclusively on foreign markets or their foreign subsidiaries to make money.

Tourism is one sector which might benefit from better marketing. An independent report recently suggested employment could be expanded significantly, but poor summer weather and the American terrorism scare have demonstrated that the task is not an easy one.

An issue the politicians are not addressing is whether Ireland should seek some external relief from her debts to make room for recovery at home. The spectre of "a loss of independence"—meaning being forced to ask for help from the International Monetary Fund or the EEC, is raised by Fine Gael as a likely consequence of Fianna Fail's policies—but both sides dismiss any need for it at present.

Certainly Ireland has no immediate debt-servicing crisis. The crisis lies in the growing volume of overall debt and the dampening effect it has on the economy. The choice for the voters is whether to accept more austerity or to take a gamble on Fianna Fail's belief that Ireland can grow its way out of trouble.

Men and Matters

Fermenta's paper chase

The previously ubiquitous Refaat el-Sayad, who for more than a year has rarely been absent from the newspapers and television in Sweden, is suddenly proving rather elusive.

Having single-handedly spread chaos through the Swedish industrial and financial establishment during the past 12 months, the Egyptian-born entrepreneur seems to have disappeared abroad.

As Fermenta, the chemicals and antibiotics group he once controlled, struggles to keep its head above water with the help of a new financial lifebelt from the banks, el-Sayed has gone travelling—staying, so far, at least one step ahead of some pursuing creditors.

Leading the hunt is Götabanken, once one of el-Sayed's closest allies in Stockholm's financial community, which started an action in the Swedish courts two weeks ago to try to force the repayment of debts totalling around SKr 570m (US$87m).

"We have to serve some papers on him, but at the moment it is impossible because we don't know where he is," says Ulf Lignell, Götabanken's deputy managing director.

"The last we heard about him, he was in New York. We tried to give him the papers there but unfortunately we failed. Now we don't have the slightest idea where he is."

The Götabanken board meets on February 17 to decide how big a provision to make against the el-Sayed debt in its 1986 accounts, but it will not be the last institution to face a day of reckoning.

Volvo has already made an unspecified provision as a part-guarantor of the SKr 570m Götabanken loan: Nordbanken has called in a SKr 200m loan; Electrolux is owed SKr 117m; and Industrivarden, the investment company associated with Svenska Handelsbanken which is now Fermenta's main shareholder, announced yesterday that it was taking a write-off of SKr 326m on its Fermenta shareholding.

When Industrivarden took what appeared to be ample collateral a year ago, the Fermenta shares had been trading at around SKr 300 per share. It secured enough shares to cover a fall to just over SKr 80 per share. But now it has had to write its holding down to SKr 35 a share and in the last few days—when not suspended—the shares have dropped to only SKr 20.

El-Sayed was still sufficiently in touch with events in Stockholm to send out a press release from Hong Kong in mid-January via his Swedish lawyer, but at Fermenta's latest shareholders' meeting last week he was only notable by his absence.

To add insult to injury, Fermenta itself said yesterday that it had instructed its legal department to prepare for court action to seek to recover the SKr 133m it now claims to be owed by El-Sayed, who also faces the prospect of a criminal fraud investigation as the police delve into the murky labyrinth of Fermenta's accounts.

"We're concentrating on lost share applications at the moment—sir"

Howard's way

Michael Howard, minister for corporate and consumer affairs, appears to be coping well with the pressures of events in the City and the controversial Channel Tunnel project.

In his ministerial role, he is exerting every effort to ensure that the scandals in the Square Mile do not expose unacceptable holes in the system of self regulation which he did so much to erect; while as MP for Folkestone and Hythe, he is endeavouring to prevent the outworks of the tunnel undermining his constituency base.

As a minister, he cannot speak in the debates on the tunnel bill but he has been closely following its progress, even to the extent of voting for the third reading just after two o'clock on Wednesday morning. A little earlier he momentarily broke his enforced silence. "Oh!" he exclaimed, as Sir Peter Rees, MP for Dover, claimed to have the "melancholy privilege" of representing the constituency most directly affected by the tunnel project. Rees promptly dropped his claim.

Smooth talking

Some of the best discoveries happen by accident. And that is how Belgium has become the first country in Europe to offer what is claimed by its US inventors to be the only scientifically-proven cure for baldness.

Aptly named Regaine cream, this latest hope of salvation for egg-heads was launched yesterday by the Brussels offshoot of Upjohn, the $2bn health care multinational.

The accident took place when Upjohn's researchers in Michigan were devising a cure for hypertension. They noticed that some of the patients on trial started growing hair all over. A few refinements allowed them to restrict the hair growth to where it is most needed. And Upjohn went ahead and launched the drug in Canada last October.

At one point it even looked as if Regaine might also be a possible cure for impotence, thereby felling two afflictions of ageing at a stroke. Two of the 4,000 patients involved in Upjohn's researches reported feeling unusually frisky after applying the cream. But that was regarded by the experts as statistically meaningless, a company spokesman said with clinical coolness yesterday.

As a cure for baldness, Upjohn says that Regaine's efficacy should be viewed with care. It only works in 30 per cent to 40 per cent of cases, and is most likely to help men who have just started to shed hair, rather than the completely bald.

Belgium is only the second country in the world (after Canada) where health authorities have given the go-ahead for Regaine — although Upjohn is confident that its wonder product will be available in most of Europe by the end of the year.

Ironically, the US, Upjohn's own country, has yet to give Regaine the official green light. That is not because the manly Americans don't need such stuff.

Rather it is because an unusually heavy snowstorm led to the cancellation of a key meeting last month of the US Food and Drug Administration.

Barring any more accidents, Regaine intends to have another go at the FDA next month.

Observer

POLITICS TODAY

Caught in the Act

By Malcolm Rutherford

SOONER or later every British government gets into trouble over the Official Secrets Act of 1911. Mrs Thatcher's administration is no exception.

Or perhaps one should put it the other way round: it is the very existence of the Act that leads governments into temptation.

No-one should suppose that the Prime Minister and her colleagues enjoy the spectacle of the Special Branch raiding the premises of the BBC in Glasgow. They do, after all, want to win an election in the not-too-distant future—and not all of them are illiberal. But if they wish to investigate espionage and leaks of official information, there comes a point when the excesses of the 1911 Act are all they have to fall back on.

It is their fault. The need to reform the Act has been acknowledged by all the political parties for years, but no government has managed to do it.

A key source for the history, implications and inadequacies of the Act is the *Franks Report of 1972. This was itself an offshoot of an earlier inquiry: namely, the report of the Fulton Committee on the Civil Service, published in 1968. Fulton proposed that the Government should set up a further inquiry "to make recommendations for getting rid of unnecessary secrecy in this country. Clearly, the Official Secrets Acts would need to be included in this review."

That was under the Labour Government of the now Lord Wilson. However, it was the Tories who took up the challenge. The Conservative Party Manifesto of 1970, A Better Tomorrow, promised: "We will eliminate unnecessary secrecy concerning the workings of the Government, and we will review the operation of the Official Secrets Act so that government is more open and more accountable to the public."

When the Tories won the election in 1970, they established the Franks Committee which recommended widespread reforms of the 1911 Act. The repeal of Section 2 and the introduction of an Official Information Act.

It should not have mattered in this context that the Tories lost the next general election because the Labour Party Manifesto of October 1974 stated: "We shall replace the Official Secrets Act by a measure to put the burden on the public authorities to justify withholding information."

Two years later, Mr Merlyn Rees, the Labour Home Secretary, told the House of Commons that the Government would introduce legislation for reform broadly along the lines proposed by the Franks Committee, of which he had been a member, "as soon as practicable—but not in the coming Parliamentary session."

A White Paper appeared in July 1978, yet by then the Labour Government had other matters to worry about and its time was running out. Early on and without much conviction, Mrs Thatcher's first administration sought to introduce a Bill not dissimilar from Labour's thinking. It was so full of holes that it was quickly abandoned.

At the time it was widely assumed, even by some of us who should have known better, that the case for reform had been won by default. Section 2 of the Act was so clumsy and anachronistic that no government would ever stoop to use it. How wrong we were! Section 2 will continue to entrap governments until it is abolished.

Section 1 is not all that admirable either. It is about espionage, whereas Section 2 is about leaks of official information of any kind. Yet the Sections should be taken together.

The first Official Secrets Act was passed in 1889. It was designed to prevent, or at least discourage, leakages of information by civil servants. Governments repeatedly attempted to strengthen it over the next 20 years. The attempts were finally successful in the summer of 1911 when, in the words of the Franks Report, "the Government, and the country, were beset by the constitutional crisis over the Parliament Bill and by the Agadir crisis."

There was not much argument. Section 2, according to Franks, "was not once mentioned in the Parliamentary debates." The outcome was a much more sweeping Act than that of 1889. Not only were civil servants liable to prosecution for leaking official information; so were the recipients.

A few amendments were passed in 1920, if anything making the 1911 act stronger.

The powers conferred by the act are all-embracing. For example, Section 1 says: "On a prosecution it *shall not be necessary to show that the accused person was guilty* of any particular act tending to show a purpose prejudicial to *the safety or interests of the* State, and *notwithstanding that no such act is proved against him*, he may be convicted if, from the circumstances of the case, or his conduct, or his known character is proved, it *appears* that his purpose was a purpose prejudicial to the safety or interests of the State." My italics—no need for further comment.

Section 2, which is not directly about espionage, makes it an offence for any person to pass on or receive official information without authorisation.

There are some other "catch-all" clauses. While the Official Secrets Act pretends to be specific and aimed at preventing the passing on of "code words, pass words, sketches, plans and models," each such list ends with the words "document or information." Thus everything is covered.

Section 2 declares it an offence for information which relates to "munitions of war" to be communicated "directly or indirectly to any foreign power." Section 5 is a further catch-all: it allows a court trying a person under a Section 1 offence to find him guilty instead of one of the lesser offences under section 2. That *illustrates why Sections 1 and 2* have to be taken together and were intended to be so.

Where the two sections differ is that a conviction under Section 1 depends on it being argued that there was an intent to do something prejudicial to the "safety or interests of the State," while Section 2 makes it an offence to disclose information even without that intent.

In other words, Section 2 is the back-up to Section 1. And it would be unwise to assume, having gone through the Act like this, that there is no case to be brought against Mr Duncan Campbell the journalist behind the reports about the Zircon spy satellite, the New Statesman which published his article and the BBC which commissioned his research in the first place. Although, it is presumably the sources, not the journalists, whom the Government is trying to trap.

The question is whether this is a sensible way of going about it. It makes the Government look ridiculous, breaking a butterfly upon a wheel, crying over spilled milk and all the old cliches. It is paying the price for not having reformed the Act.

The best case for preserving the status quo was put by Sir Peter Rawlinson, the Conservative Attorney General, in evidence to the Franks Committee. He said that his personal reaction to Section 2, as a lawyer, was "one of gross distaste because it involved the criminal law in matters in which the *criminal law should not be* involved." But he went on to say that it was so difficult to think of any better approach that Section 2 was the lesser evil.

In practice, he implied, it was the good sense of the Attorney General that ensured that the section operated in a reasonable way. Mr Merlyn Rees told the House of Commons much the same thing when he promised reform in 1976. Any proceedings under the Official Secrets Act need the Attorney General's consent as the Crown's senior law officer and not in his capacity as a member of the government of the day. The Attorney General would not be expected to institute petty proceedings, but would bring the "full panoply of the law into play" if anyone gave out documents which were "secret, defence-confidential or the like."

No doubt Sir Michael Havers, the present Attorney General, is a reasonable man. The trouble is that there is rather a wide stretch of ground between offences too minor to prosecute and those where prosecutions are unavoidable. And once the full panoply of the law has been unleashed, there is no telling what might happen. Relying on the Attorney General's good sense is not a substitute for good law.

So far the Labour Party has not come out of the affair very well, largely because its leadership accepted the Government's word that there has been a serious breach of security. It would have done better to have kept its distance while attacking an Act that seems to do no government any good.

Still, the Government may not emerge very well either. Mr Malcolm Rifkind, the Secretary of State for Scotland, received the first Parliamentary roughing up of his promising career. Attorney General Havers has become a figure of fun and is now, sadly, obliged to rest. The Tory back-benchers who applauded the raid on the BBC's offices looked distinctly unattractive.

My view is that Section 2 should be abolished outright. At the same time, it would be helpful to prepare a new code for the duties and responsibilities of civil servants, as to some *extent is already being done*. Abolition of Section 2 would go a long way towards reducing excessive secrecy and the inbred nature of the service.

I do not yet wholly go along with the campaign for a Freedom of Information Act because Acts of Parliament tend to be restrictive and all sorts of exemptions to freedom would be built in.

We should liberate first and see what happens. Meanwhile, an interesting test of MPs of all parties will be how they respond to the Human Rights Bill in the House of Commons this morning. There are some members of the Government who regard themselves as decent, humane and liberal and who ought to support it, but may not. The Labour Party does not at present look any more liberal than the Government.

** Departmental Committee on Section 2 of the Official Secrets Act 1911. HMSO. Cmnd 5104.*

Lombard

New bons mots for the Umwelt

By David Marsh in Bonn

WEST GERMANY, thanks to the energy of its people as well as the arithmetical effect of the dollar's precipitous decline, has become the world's leading goods exporter.

But in an area which surely has much more direct effect on ordinary people's lives—international trade in words—the Federal Republic, or more precisely the German language, is running up a ruinous, and steadily increasing, deficit.

In the absence, thank God, of world-encircling wars, the degree to which foreign languages permeate other countries' vocabularies has become both a yardstick and an instrument of international power play.

As a result of increasing world-wide interaction in trade, technology and television, as well as a natural German retreat from self-assertion and nationalism after the Second World War, English/American expressions have cut a broad swathe through the Federal Republic.

It is not simply a question of phrases used, sometimes in a self-conscious or snobbish way, by the elites in the worlds of economics and technology.

German politicians when they *have something important* to say deliver, not a "comminque," but a "statement". Only when the message is a little wooly and even less than usually credible is it an "Erklaerung."

The ultimate in seriousness—a string of benign proclamations dispensed to the waiting world after a banquet with a visiting foreign president or prime minister — is likely to be a "dinner-statement."

Even among ordinary people, words assumed to sum up feelings or characteristics a little more pithily or concisely than their German counterparts — often quite innocuous examples such as "happy," "clever," "freak," "fan," "flop" or "fit" — have taken the country by storm. "Sorry," as an alternative to the more long-winded "Es tut mir leid," has quite a following.

Notwithstanding the parvenus who have the aplomb to hit French *amour propre* with infusions of cheeseburgers and hot dogs on the streets of Paris, France *still* maintains a fairly strong cultural lobby resisting the import of foreign barbarisms.

And, thanks to continued strong exports of words pertaining to love, wine, paintings and food, the Gallic vocabulary trade balance has not yet slipped totally into the red.

Germany, on the other hand, apart from the odd exception such as kindergarten, has signally failed to deliver. The German language has sent abroad the angst-laden vocabulary of psychiatry and of war—"Panzer," "Howitzer," "Flak," "Blitzkrieg," "U-boat" — but little else.

Is it too late to turn the tide? One area where the Germans *have internationally renowned* capability, and which could still be used as a springboard from which to strike back against the encircling menace of Anglo-Americanisms is the field of environment technology.

To start with, the German word "Umwelt" is a lot more precise than "environment"—and has half as many syllables. "Ausstieg," denoting the move away from nuclear power, would enrich any English dictionary.

"Entstickung," "Entschwefelung" and "Entstaubung," denoting the various processes used to free flue gases of pollutants (nitrogen and sulphur oxides and dust respectively) are shorter, more logical and easier on the eye and ear than their sometimes hateful English/American equivalents.

The words for the things the Umwelt — campaigners want to get rid of—"Gift," "Muell," or "Schlamm" (poison, rubbish, residues) are powerfully expressive, and lend themselves far better to exhortative slogans than the somewhat weak-sounding English alternatives.

In short, the German language has found a niche. Now, all that is needed to exploit it abroad is a touch of Realpolitik in Bonn.

Letters to the Editor

Performance measurement

From Mr A. Jefferies.

Sir, — Your correspondent's warning (February 3) of our obsessive attitude to short term equity performance is timely. Upward changes in the price/dividend multiplier (falling dividend yield) make for excitement but produce only a froth on long term performance.

Times without number, history has shown that this multiplier has finite if elastic limits. The only worthwhile measure of long term equity performance is represented by change in an index of dividends when linked with dividend yield. Your correspondent almost reached that conclusion but stopped short with a suggestion of a moving average basis.

Small wonder that thinking is short term when popular indices are of prices. I would prefer an index of dividends. The arithmetic to produce this is easy when one couples an index of price with an index of divided yield but when is an organ of the popular Press going to do the arithmetic for me?

It would focus minds on more lasting benefits of equity investment.

A. E. J. Jefferies,
Norwich Union,
PO Box 4,
Surrey Street, Norwich.

Japanese politics

From the Director, Nissan Institute of Japanese Studies

Sir,—Simon Holberton (February 2) writes that apart from Professor Chalmers Johnson, most of "his breed" (political scientists studying the politics of Japan) "politely ignore the role of money in Japanese politics." May I just as politely point out that we do not do anything so silly, since to ignore the financial aspect of Japanese politics would be like leaving out the rice when making *sake*.

Mr Holberton has also misunderstood what a *zoku* is. It is not, as he writes, "an LDP politician who has been elected at least five times." The word *zoku* means "tribe" and has come to be used to mean a group of ruling party politicians who specialise in a particular policy area, such as education or defence or telecommunications, and serve as a kind of intra-party lobby group on matters concerning their area of special interest. *Zoku* are separate from — and overlap with — the more traditional *habatsu* or "factions," which primarily serve as channels of political finance and arbiters of power.

In so far as the *zoku* are becoming more important, Japan's ruling party is gradually developing more policy expertise and sophistication with which to trim a little of the power from the formidable *government ministries*. *Money*—political funding—is a crucial part of this process, as it always has been in Japanese politics. But politicians should not be written off as merely mercenary. They are also often surprisingly good at making intelligent policy.

(Professor) Arthur Stockwin,
1, Church Walk, Oxford.

Regional hubs

From the Director-General, Air Transport Users Committee

Sir,—This committee agrees with Mr Powrie (January 27) that every effort must be made to build up regional airport hubs at Manchester, Birmingham and Glasgow. In particular, in the last case, we have urged concentration to end the sad damage caused to Scotland by trying to split services between Glasgow and Prestwick.

A recent study of regional traffic however showed that even from Manchester, on the most optimistic forecasts 15 per cent-30 per cent of the future user need is to low density destinations likely to be served only via London. Additionally, many other north western users need to take advantage of the wider spread of timings and tariffs available only from London. For the smaller prospective hubs, only destinations such as Amsterdam, Paris and Dusseldorf generate sufficient traffic to support even shared direct services, and thus the primary need is frequent connecting services to Heathrow and Gatwick. The capacity problem at those airports is with us now, not in 1990 or 2000. They are utilised fully throughout several peak hours daily and the commuter flights vital to regional communications are under sentence of death, albeit stayed temporarily by the Government.

This committee's call for a additional runway in the south east has been endorsed several times by the chairman of the Civil Aviation Authority. Of course Heathrow would be the right place for it—and quiet Stol aircraft larger than the DHC Dash 7 already exist e.g. the British Aerospace BAe 146 which has a passenger capacity of 100 over stage lengths of 1300 miles, with bigger versions planned.

AUC's recommendations are based on research, not environmentalist pipe dreams. Prosperity follows the aeroplane, and if connections to and from the regions via Heathrow and *Gatwick wither away, prosperity* will remain in the south east alone.

Richard P. Botwood,
129 Kingsway, WC2.

Amend all the articles

From Mr C. Whitmey

Sir,—As Lex (January 31) stated "the main point is not whether the new rules (of the Takeover Panel) are a great step forward but whether the whole body of the code is observed conscientiously by all practitioners . . . ." There is an easy remedy available and waiting: the articles of association of every company.

In the Panel's report on the year ended March 1980, Lord Shawcross wrote, "It is quite clear that the statutory rules, in regard to the disclosure of beneficial ownership where shares are held by intermediaries are inadequate . . . UK companies might do well to include in their articles express powers to disenfranchise from voting rights any shares held by intermediaries or others where ultimate ownership was concealed or when the Panel has found there to be breaches of the Take-Over Code in relation to the disclosure of control." Despite S74 of the 1981 Act (now S212 of the 1985 Act) I believe the view is still valid.

Why has the stock exchange never made the inclusion of such an article a condition of listing? The latest amendments to the Yellow Book were circulated recently and contained nothing in this area. The current requirement, if a company has such an article, is found in the Yellow Book at 9.04 para 14, "disenfranchisement (following service of a notice under S212) will not take effect earlier than 28 days after the service of the notice." Whose side is the Stock Exchange on?

The Act uses the phrase "within such reasonable time as may be specified in the notice." Surely "reasonable" must depend on the facts. With notices of proxy only having to be submitted some 48 hours before a company general meeting where is the logic of 28 days if a board was suspicious of proxy notices from hitherto unconnected nominees? It was in 1896 that the House of Lords, in Clarke v Earl of Dunraven, established that "in-house" rules could be more stringent than statute and consequently more efficient at providing protection to those who need it.

The company's articles could also be used to enforce the Panel's code. How would Guinness feel if Distillers had had an article along the lines of, "Should it ever be declared by the Panel on Take-Overs and Mergers that any member or former member has acquired any shares in the company in breach of any part of the Take-Over Code the said member shall forthwith forfeit all and *every right in the said shares* without compensation in favour of the person from whom the said shares were acquired and the company shall forthwith make application to the High Court under section 359 of the Companies Act 1985 for the rectification of the company's register of members." Justice would be seen to be done and former Distillers shareholders (I am not one!) would be laughing.

Christopher Whitmey.
Oldstone Furlong,
Fownhope, Hereford

Away from the quick fix

From the director and general secretary, Institute of Management Services

Sir,—The common thread of payment for measured results runs through three important stories on January 29.

Richard Luce, the Minister, reports that the Civil Service accepts the concept that pay should in future be linked to performance. The Audit Commission forcibly points out the need for much greater operating efficiency in inner city local authorities if they are to avoid financial crisis. And the management and union sides of the BT engineers' dispute both give strong hints that the best route to an early settlement is pay rises linked to productivity.

Let us hope that these are an indication that Britain is *moving away* from the "quick fix" of automatic increases that only build-up problems for the future.

Productivity-linked payment should be the aim in government, local authorities and private businesses. In this way we can all earn what we are worth without fuelling future inflation.

Edward A. King,
1 Cecil Court, London Road,
Enfield, Middlesex.

Takeovers and employment

From Mr J. Sutherland

Sir,—There's only one thing missing from your (January 30) forthright editorial on the City—the devastating effect of takeovers on employment.

J. D. Sutherland,
41 Westella Way,
Kirkella, Hull.

FINANCIAL TIMES

Friday February 6 1987

Argentina and UK in indirect talks on fisheries

By Robert Mauthner in London

THE US has been acting as an intermediary between the Argentine and British governments in an attempt to find a basis for agreement on the disputed issue of fisheries conservation in the South Atlantic.

This was confirmed yesterday by the British Foreign Office which described the exercise as a purely informal exchange of ideas. It came after weeks of denial by UK officials that any indirect contacts had taken place between London and Buenos Aires.

There is little doubt that the indirect contacts are a US initiative based on fears that the fisheries protection zone could lead to renewed tension in the South Atlantic.

Washington made it clear from the very beginning that it disapproved of the British move, to establish a 150-mile fisheries protection zone around the Falklands announced by Sir Geoffrey Howe, the Foreign Secretary, at the end of October last year.

Sir Geoffrey said at the time that the reason for the UK government's action was concern at the rapid increase in fishing in the south-western Atlantic, which had seen the number of trawlers of various nationalities fishing in Falklands waters rise from only 250 in 1984 to 600 last year.

The Foreign Secretary said Britain had always considered that the problem should be solved by international agreement, but that this approach had been undermined by Argentina through its aggressive patrolling and its bilateral fisheries agreements with the Soviet Union and Bulgaria.

The Foreign Office emphasised that it had only sent some "exploratory reactions" to ideas put forward by the Argentine Government on how incidents could be avoided in the fisheries protection zone which came into force on February 1.

According to British officials, the Argentines appear to be prepared to discuss problems of fisheries conservation around the Falklands without bringing up the highly controversial question of sovereignty over the islands. Britain's refusal to discuss Argentina's territorial claims have prevented a normalisation of relations between London and Buenos Aires

British officials have emphasised once again that London is not prepared to discuss the sovereignty issue and that if it were to crop up during the current exchanges, contracts would immediately be broken.

The British Government, it was stressed in London yesterday, continued to support an international arrangement and hoped its informal exchanges with Buenos Aires would eventually achieve such a result.

Police chief in Palme murder hunt sacked

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

MR HANS HOLMER, the Stockholm police commissioner, who has led the unsuccessful hunt for the murderer of Mr Olof Palme, the former Swedish Prime Minister, for more than 11 months, was replaced yesterday as the Swedish Government tried to break the embarrassing deadlock in the murder investigation.

The hunt for Mr Palme's assassin has ground to a halt in recent days as the investigation degenerated into a public quarrel between the police and the public prosecutor's office over what lines of inquiry to pursue.

In an effort to get the murder hunt restarted, the Government has moved ultimate responsibility for the investigation to the highest level of the national police force and the national public prosecutor's office.

The removal from the investigation of Mr Holmer – in effect the number two in the Swedish police hierarchy and – before the assassination of Mr Palme – the favoured candidate to take over this year as national police commissioner, was announced at a press conference at midnight on Wednesday by Mr Ingvar Carlsson, the Swedish Prime Minister, following nearly 10 hours of dramatic meetings at the Government Chancellery.

The embarrassing reorganisation of the investigation was finally forced on the Swedish Government this week, when it became obvious after several days of tense negotiations that the leadership of the Stockholm police under Mr Holmer was unable to resolve the deep conflicts that had developed with Mr Claes Zeime, the chief public prosecutor in Stockholm and his staff over the future direction of the murder inquiry.

The assassination of Mr Palme on a city street in the centre of Stockholm 11 months ago shocked Sweden, but the grief and mourning of a year ago has been overtaken by a mood of embarrassed disbelief as the murder hunt itself developed into a fiasco for the authorities.

Despite the stubborn optimism of Mr Holmer – only a couple of weeks ago he repeated publicly that he was "95 per cent certain" that the police were on the right track – the police have few concrete leads to show from the 11-month hunt apart from the two bullets found in the first two days after the murder.

The public prosecutor's office, which under Swedish practice is ultimately in charge of a criminal investigation, has in recent weeks made no secret of the fact it had little belief in the main line of inquiry that has been stubbornly pursued by Mr Holmer, which has sought to link the assassination of Mr Palme to the PKK, a Kurdish terrorist group, which has been increasingly active in Sweden in recent years.

Mr Carlsson has headed off political crisis over the murder investigation by carefully involving the leaders of the opposition parties at each stage of the talks which led up to yesterday's dramatic reorganisation.

Mr Magnus Sjöberg, the national public prosecutor, has been given formal responsibility for the leadership of the continued investigation, while responsibility for leading the police hunt has been given to Mr Holger Romander, the national police commissioner.

Mr Romander was due to retire from this post next month, but the cabinet yesterday prolonged his appointment to the end of the year.

Mr Sjöberg, has no past experience of leading a criminal investigation, so in practice his place will be taken by the deputy national prosecutor, Mr Axel Morath, who will be supported by two of the senior prosecutors in Stockholm, who have already been working on the case for several months.

Practical leadership of the police hunt has been passed to Mr Ulf Carlsson, head of one of the four national police divisions, but he will report to Mr Romander.

Mr Holmer will remain as police commissioner in the Stockholm region, and he will also become a member of a special, three-man advisory group to the national police commissioner, which will include the head of the national CID as well as a leading member of the security police.

UK printworkers' union admits defeat in dispute with Murdoch

BY HELEN HAGUE, LABOUR STAFF, IN LONDON

LEADERS of the UK printworkers' union Sogat '82 yesterday conceded defeat in their bitter year-long dispute with Mr Rupert Murdoch's News International, publisher of several national British newspapers including The Times.

The decision puts intense pressure on the National Graphical Association, the only union remaining in direct dispute with the company, to follow suit.

Sogat's ruling executive voted to end demonstrations outside the company's new London plant, commonly referred to as "fortress Wapping," and withdraw pickets with immediate effect.

The 23-to-9 vote was taken after legal advice that the union could face bankruptcy if the company pressed ahead with the contempt of court proceedings it has set in train.

The company responded last night by signaling its intention to drop both the proceedings and a claim for damages lodged earlier this year.

News International will also reopen its compensation fund, offering dismissed employees one-off "termination payments" for a month.

Ms Brenda Dean, Sogat's general secretary, said last night: "This has been a very difficult decision for the executive to take, but what they were faced with was the sequestration of our total union and a fine."

She said that the union's policy-making conference had instructed the executive to avoid the risk of sequestration of its assets. She added that more than half the union's funds had been expended in the dispute.

The company said earlier this month it intended to instigate contempt of court proceedings against both unions for alleged breach of a High Court injunction which banned mass picketing outside the plant.

The NGA's national council meets today to take stock of the viability of continuing the dispute.

The union had around 850 members sacked last year compared with around 4,100 Sogat members, and Mr Tony Dubbins, the union's general secretary, had indicated that the union would face difficulties pursuing the dispute alone.

Seven of the nine Sogat executive members voting against calling off the conflict came from the union's London branches, which have spearheaded the dispute.

There was widespread anger among London activists and sacked printworkers at the Sogat decision.

Although no official statements were being released last night, it is expected that strike stalwarts may attempt to continue the fight against News International without national backing.

It is understood that the executive has warned that leading Wapping activists, including Mr Bill Freeman, an executive member, may jeopardise their union membership if they continue to demonstrate.

Sogat's decision comes less than two weeks after print unions organised a march outside the plant to mark the dispute's anniversary, in which there were violent clashes between police and demonstrators.

Mr Rupert Murdoch, chairman of News International, said last night: "This has been a sad and unnecessary strike. The tragedy has been drawn out for 13 months despite two serious attempts by the company to bring it to an end. It is in everyone's interests that it ends now."

EEC plan to extend dumping duties hits new delay

By William Dawkins in Brussels

AN ATTEMPT to extend EEC anti-dumping duties beyond imported goods to their components ran into a surprise hitch yesterday when it was questioned whether customs officials could cope with the extra work which would be involved.

The proposal is aimed at preventing Far Eastern importers – mainly Japanese – from circumventing anti-dumping penalties by setting up low-cost assembly plants, or so-called "screwdriver" operations, in the European Community and supplying them with cheap imported parts.

The proposals have already provoked an angry response from Japanese industrialists, who would be hardest hit.

Lord Cockfield, the Commissioner for internal markets, has refused to let the measure pass until it can be established whether customs authorities would be able to tackle the extra work it would produce.

The Commission was expected to agree on the proposal almost automatically yesterday for eventual submission to EEC member states for approval.

Officials believe, however, that Lord Cockfield's objections would at worst only delay the proposal rather than sink it.

Lord Cockfield is understood to be anxious that the EEC should not adopt a trade measure which appears very tough, only to find that member states lack the resources to apply it.

British, French and Irish fears over possible damage to the level of jobs created by Japanese investment may create more serious problems for the measure.

The proposal, drawn up by the Commission's external relations department, suggests that anti-dumping duties should be applied under the following conditions:

- The EEC assembly operation must have a direct relationship with the foreign exporter of products already subject to anti-dumping levies and must be making similar goods.
- Assembly in the EEC must start or increase considerably after an anti-dumping inquiry into the finished products has begun.

Duties will apply when the value of the parts imported for assembly in the Community exceeds by at least 20 per cent the value of the other parts of the products. The other components do not necessarily have to come from the EEC, as long as they do not originate from the parent company's country.

The Japanese have said the move would worsen already poor trade relations with the EEC and could affect their European investment plans.

Moulinex may be sold to its management

By George Graham in Paris

MOULINEX, the French kitchen equipment producer, may be sold off to its management.

Mr Jean Mantelet, the company's founder, chairman and principal shareholder, has told employees that he wanted the company to pass to its management, in order to perpetuate his work.

No precise ideas have been advanced on the form such a handover should take, and trade union representatives are concerned that the proposal appears to hand the company on only to its management, and not to the entire workforce.

A management takeover would solve the difficult question of the succession to Mr Mantelet, the inventor of the Moulinette vegetable mill and a hero of France's post-war industrial resurgence, who is now 87.

Mr Mantelet controls 42 per cent of the company through the holding company Finap, with a 20 per cent stake held by Scovill, the US company.

The magic has gone out of Moulinex's financial performance in recent years, and the group slipped into the red in 1985 with losses of FFr 34.9m ($5.7m).

In the first half of 1986 losses accelerated sharply to FFr 199.8m because of heavy provisions and special restructuring costs. Some recovery is expected for the second half, with group sales for the whole of 1986 reaching the same level as last year's FFr 3.37bn.

Moulinex has experienced difficulty in maintaining its market share in Western Europe in recent years, and has suffered heavy losses in overseas markets such as Latin America and the Middle East.

The costly move into the market for micro-wave ovens, involving around FFr 200m of investments, has not yet been rewarded by a surge in the domestic market.

THE LEX COLUMN

Block trading in a blindfold

If the first hundred days of Big Bang have thrown up painful losses for some of the securities houses, the fashion for block trades of whole portfolios will probably get much of the blame – as much as the slicing of commissions and narrowing of spreads per se.

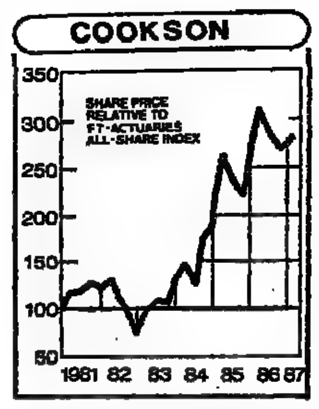
These deals have been called programme trades in London, although the term is completely inappropriate. The US program trade is a transaction dictated by computers – hence program – which exploit the arbitrage possibilities between futures contracts and the equities that underly them. The UK "programme trade" is effectively no more than a bought deal, but one in which the house does not know the identity of the stocks that it will be buying or selling for the client.

In fact it is the absence of a highly liquid futures or options market which makes the European portfolio trades inherently more risky than the same deal in the US. There at least a bidder for what is advertised as a large chunk of alpha stocks can hedge, albeit imperfectly, through such vehicles.

About three quarters of the portfolio trades carried out in London involve purely domestic stocks. Not only are the auctions blind – or at best partly sighted – but also the nature of the winning bid is often kept from the other parties to the auction. The overriding impression is that the successful bidder is frequently taking on the stock on a net basis at middle market prices. Given that he cannot just unload the stock on the market in the first few minutes, the risks are palpable. Some winning bids may even have consisted of an offer to carry out the transaction at a marginal amount less than whatever happens to have been the best offer from the competition.

The net middle market quotation has even been seen in auctions to handle international portfolio trades, some of which have involved as many as nine different markets, including both stocks and bonds. It is hardly surprising then, that London is starting to steal this business from New York.

A number of institutions have abused the system, by inserting into a supposedly liquid portfolio a few dogs which they could never shift in volume except by hiding them in such a parcel. Such is the competitiveness of this market, that the securities houses are currently prepared to stomach such low tricks. The funds should have their fun while they can. For the finance directors of all but the best capitalised securities houses must soon be feeling that market share is an overrated virtue.



Cookson rights

Cookson Group and Lazard Brothers have come to the rescue of the traditional rights issue at the most untraditional discount, for a one-for-four, of 12 per cent. That may set a modern benchmark for such issues although Cookson was blessed with unusually good market conditions, a share price which has climbed nearly £1 since December, and leak-proof preparations. There was even some surprise that the price slipped 26p but that – paradoxically – had more to do with profit-taking on the recent surge than dissatisfaction with the discount or fear of dilution.

The rationale for the issue is a further celebration of traditional virtues; it is not so much the relief of a debt-laden balance sheet as stoking the boilers to give maximum flexibility for a fresh wave of acquisitions. Gearing is none the less out from over 40 per cent to just over 10 per cent which will increase the proportion of UK earnings and thus allow it to use some of its accumulated ACT. So even before a further display of proven skills in concluding intelligent agreed deals there should be some earnings enhancement.

That makes it even more surprising to find Cookson languishing on a prospective multiple of 10.8 despite its supposed "discovery" by the market over the past two years. Such mean treatment no doubt has something to do with memories that Titanium Dioxide (on which more than half of earnings are based) can be a highly cyclical product. It may also reflect an old dislike of over-depenence on related companies and single products, but the difficulty for Cookson is to diversify away from earnings that have bolted ahead. The £182.3m underwritten yesterday should facilitate escape from this comfortable treadmill with the Far East and the UK (partly for ACT reasons the most likely spending grounds.

World market

Globalisation of markets is a concept that has gained a devastating credibility since Boesky and Guinness scandals broke last year. Internationally traded stocks know only one market, even though that market may be skimmed by insiders around the world, and manipulated by concert parties of intercontinental scope. An international traffic in confessions and indictments also seems to be developing very nicely. Arbitrage between the London and New York prices of insider dealers, where the one centre's ineffectual efforts at prosecution have to be traded against plea-bargaining in the other, demonstrates the growing unity of markets.

Beyond those rather specific links, and the slavish sympathy with which London equities in general now follow each movement of the Dow, globalisation does still seem to have its limitations. Whatever may go for one stock traded in two centres, there seems to be little international convergence of valuations. As Fuji International points out, real interest rates have proved reluctant to equalise across the world, and it is painfully true that no amount of juggling with discount rates can bring the p/e of the Tokyo market into line with that of New York.

But the presence of such international rigidities should not dismay fund managers, since it is a partial guarantee of their continued employment. If there is a global market, it is still imperfect or inefficient enough for investors to beat the global indices by skilful selection.

Bonn set to resist calls for expansion

Continued from Page 1

Stressing the somewhat fearful mood in Bonn about the limited room for manoeuvre on the economy, they say it could lead to a rise in inflationary expectations by increasing the budget deficit.

This year's federal deficit, projected at DM 22.3bn, could already be heading for a substantial rise. This is because more sluggish GNP prospects could dampen tax receipts – while the weaker US dollar will reduce or perhaps wipe out altogether the profits on the Bundesbank's foreign exchange reserves, annually channelled to Bonn.

Furthermore, at a time when the foreign exchanges remain highly nervous with no short-term possibility of controlling the weakening dollar through concerted action by the Group of Five, any stimulus could easily be rendered useless by a further fall in the US currency, officials say.

One adviser to Mr Kohl stresses that a variety of factors, both domestic and international, put any economic "experiments" out of the question in the next four years. "The main objective of the next legislature period is to safeguard what we have already achieved," he says.

One reason for caution is that the Government will be defending its majority in the Bundesrat, the Federal Council (Upper House) of the German parliament, in a string of important state elections later this year.

Because of the important powers of the state governments, the loss of Bundesrat control would pose a grave setback to the Government's economic policies and would almost certainly scupper the promised tax reform.

Mr Stoltenberg, along with other leading figures in Mr Kohl's Christian Democratic Union (CDU) also opposes strongly the FDP's call for a cut to 50 per cent in the top rate of 56 per cent personal income tax to accompany the 1989 tax reform.

Instead, Mr Stoltenberg is arguing powerfully for restraint over all the main government spending programmes during the next few years. Austerity is needed above all, he believes, to allow room for inevitable increases in EEC budgetary contributions as well as higher subsidies (partly caused by the collapse of the dollar) in the problem areas of coal, steel and the European Airbus.

Mr Stoltenberg's plan is to finance half of the DM 40bn to DM 45bn in income and corporate tax cuts programmed from 1989 onwards through reductions in subsidies of increases in other forms of tax receipts.

If subsidies cannot be cut enough – which appears highly likely considering the financial difficulties of heavy industry and agriculture – then Mr Stoltenberg will have no option but to increase consumer taxes.

Coalitions talks which start today between the CDU, its Bavarian sister party the Christian Social Union (CSU) and the FDP will try to find compromises over somewhat abstruse questions in a tax reform package which will not come into effect for another two years.

Meanwhile, the Bonn administration appears to be preparing to batten down the hatches against any more immediate economic storms. Officials profess relief that West Germany, still basking in its DM 112bn trade surplus last year, has been relatively unruffled so far by the fluctuating dollar.

"The yen has been hit harder," says one official. "I also feared that US industry, by importing all that capital from the rest of the world, would become competitively too fit. Thank God, that has not happened."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	13	55	Dubrovnik	C	12	54	Malta	C	16	61	Rhodes	S	16	61
Algiers	C	15	59	Edinburgh	R	8	46	Manchester	C	8	46	Rio de J'o	C	32	89
Amsterdam	C	4	39	Faro	—	—	—	Manila	C	30	86	Rome	F	14	57
Athens	F	12	54	Florence	C	11	52	Melbourne	S	20	68	Salzburg	—	—	—
[illegible]															

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Reagan agrees to testify

Continued from Page 1

vestigation is against the national interest and damaging to President Reagan.

Mr Hyde warned that there were clear contradictions in the testimony given by some witnesses to the congressional committees and said that instances of perjury would be "relentlessly pursued."

One of the most obvious contradictions concerns assertions by Mr Robert McFarlane, former national security advisor, that President Reagan approved an arms shipment by Israel to Iran. Mr Donald Regan, White House chief of staff, insists that this was not the case and the shipment was condoned after the fact.

The house committee has questioned several potential witnesses including the former deputy director of the CIA, Mr John McMahon, an employee of Mr Adnan Khashoggi, the Saudi billionaire arms dealer, and Mr Eugene Hasenfus, the American airman shot down over Nicaragua last year while on a secret resupply mission for the Contra rebels.

However, the committee has been unable to interview a key figure in the scandal – retired air force Major General Richard Secord. Last December Mr Secord cited his Fifth Amendment rights when called to give evidence to the Senate intelligence committee on his role in the affair.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday February 6 1987

Allied Signal returns to profit

By Anatole Kaletsky in New York

ALLIED-SIGNAL, the widely diversified US industrial conglomerate, last year returned to profitability and increased its sales by 29 per cent to $11.79bn, after a large programme of acquisitions, divestments and asset restructuring.

Allied's businesses, which are now concentrated in the three "core" activities of aerospace, automotive components and engineered materials, produced net profits of $605m or $3.26 a share last year, after a loss of $279m or $3.28 in 1985.

However, comparisons between Allied's performance over the years are virtually meaningless because of the numerous one-time gains and losses connected with the company's mergers and disposals.

In 1985, Allied suffered a special charge of $750m when it reorganised 35 of its small units into the Henley Group, which it then sold through a public offering on Wall Street. Without this and other charges, Allied said that its 1985 net income would have been $424m, or $3.22 a share.

On a per share basis, Allied's profits, excluding special charges, were virtually unchanged from 1985 to 1986, thanks to a near doubling in the number of shares in the second half of 1985, when Allied took over the Signal Companies.

In the fourth quarter of 1986, Allied's net profits were $89m, or 34 cents a share. The previous year net income was $62m or 25 cents, excluding special charges. After charges, Allied had shown a loss of $660m or $3.89 a share in the fourth quarter of 1985.

Mr Edward Hennessy, Allied's chairman, said he was "pleased with the balance of sales and earnings performance" in 1986 and that the company had now sharpened its focus and established leadership in each of its three main segments.

Andelsbanken hit by write-off

By Hilary Barnes in Copenhagen

ANDELSBANKEN, Denmark's sixth largest commercial bank, was forced to write off DKr 60m ($8.8m) to cover losses on investments in Japanese securities by a member of the staff who broke the bank's investment rules.

The bank said in its annual report yesterday that steps had been taken to ensure that the rules would be observed in future.

The write-off was a factor in reducing net profits from DKr 662m in 1985 to DKr 19m last year, although the main influence was an unrealised loss of DKr 588m on the bank's bond and share portfolio.

The bank's ordinary earnings, before depreciation and other write-offs, increased from DKr 673m to DKr 802m, described by the bank as "extremely good." The balance sheet total increased 22 per cent to DKr 53bn. An unchanged 15 per cent dividend will be paid.

CHIEF EXECUTIVE SUGGESTS DIVIDEND WILL BE NOT LESS THAN LAST YEAR'S LEVEL

Allianz income rises to DM 19.2bn

BY HAIG SIMONIAN IN MUNICH

WORLDWIDE premium income at Allianz, West Germany's largest insurance group, rose to DM 19.2bn ($10.5bn) last year from DM 17.4bn in 1985. The increase was helped partly by a first time contribution of DM 1.2bn from Cornhill Insurance of the UK, which Allianz bought in 1986.

Mr Wolfgang Schieren, Allianz's chief executive, gave no profits forecast for the year, but promised an "adequate" dividend, which he implied would be not less than last year's DM 12.

Foreign premium income at Allianz rose to DM 4.2bn against DM 3.2bn in 1985, pushing the share of foreign premiums to 22 per cent of Allianz's total against 18.2 per cent in 1985. The figures would have been some DM 680m higher had it not been for the strong D-Mark.

Allianz has not yet included figures for Riunione Adriatica di Sicurta (RAS) Italy's second largest insurance group, as it will only gain majority control next year. However RAS's premium income of about DM 4.7bn will sharply boost Allianz's 10-year aim of becoming a fully international insurance group. "I don't say that we have arrived, but we've come very close," said Mr Schieren.

Allianz has already taken steps to pull together various strands of its foreign acquisitions. Cornhill's representation in Hong Kong and Japan "may help Allianz set up in the Far East," according to Mr Schieren, while the group is now strongly represented in France.

However, the US remains something of a stumbling block. Allianz is still keen to diversify its risk portfolio, according to Mr Schieren, but it has not yet found a suitable acquisition to expand its US non-life business. Allianz's existing US operation is "too small for this market," he said.

The strength of the D-Mark may have made a takeover cheaper, but the bull market on Wall Street has driven up insurance companies' value, said Mr Schieren.

Though not short of suggestions, Allianz has not yet found the sort of company it is looking for. "It's only one of the top 30 to 50 US firms that is likely to be of interest to Allianz," he said.

Allianz is hardly short of cash for an acquisition. Its two domestic capital raising ventures last year mean the company has no plans to tap the market again in 1987, according to Mr Schieren. Moreover, "we have never had any problems to finance anything."

On the reinsurance side, gross premium income increased only modestly to nearly DM 5bn. While the domestic side notched up a 4.7 per cent increase over 1985, the weakness of the dollar meant that Allianz's US activities made a sharply lower contribution in D-Mark terms. Nevertheless, market conditions in the US have noticeably improved according to the company.

Allianz's West German premium income rose by only 4.3 per cent last year to DM 8.4bn compared with a 7.4 per cent increase in 1985. Growth was largely held back by problems on the motor insurance side – the largest single class of business – where rates rose only modestly compared with a sharp rise in the size and number of claims.

Allianz is sanguine about the potential threat of competition from West Germany's banks in the insurance business.

Mr Wolfgang Schieren, chief executive: seeking to expand US non-life business.

Chrysler dips 15% despite sales strength

BY ANATOLE KALETSKY IN NEW YORK

CHRYSLER, the third-biggest US car maker, made net profits of $1.4bn in 1986, 15 per cent down on the $1.64bn earned a year earlier. Because of a stock repurchase programme, which cut Chrysler's shares outstanding by 7.6m, earnings per share showed a marginal increase to $9.47, from $9.38 in 1985.

Chrysler also announced that Mr Lee Iacocca, the company's chairman, would hold the post for another four years. Mr Iacocca, who is 62 and among the highest-paid executives in America, has been granted stock options exercisable in December 1990 and additional options if he remains with the company for a year further.

Chrysler's revenues for the year rose to $22.59bn, 6 per cent up on the previous year and the highest level ever. The number of cars and trucks it shipped in North America was also a record, representing continuing gains in market share at the expense of General Motors and Ford.

World-wide vehicle sales at the company's Chrysler Motors unit were up 2 per cent last year, to 2.2m units.

Chrysler and its units had record world-wide sales of $22.59bn in 1986, up from $21.26bn in 1985, the previous record. Equity in earnings of unconsolidated subsidiaries and other income of $419.3m brought total 1986 revenues to $23.01bn. In 1985, Chrysler had total revenues of $21.55bn.

The 1986 results were boosted by a gain of $144.3m on Chrysler's sale of its equity stake in Peugeot. Without this special item, earnings per share would have been $8.58, slightly ahead of most analysts' expectations.

Mr Lee Iacocca head of Chrysler

Overall, the earnings picture was the third best in Chrysler's history, and was seen on Wall Street as evidence that the company is maintaining its momentum after the record profits of 1984 and 1985.

In the fourth quarter of 1986, Chrysler had net earnings of $323.6m, or $2.21 a share, against $215m, or $1.31, the year before.

The quarterly results indicated that Chrysler's margins had not suffered as a result of the cut-price financing war in the US motor industry at the end of last year. However, the comparison with 1985 is distorted by a strike and a one-time bonus payment of $250m to employees, both of which occurred in the fourth quarter of that year.

Its sales in the last quarter were 10.4 per cent up on the year, at $5.94bn.

Pan Am unions in search for bidder

BY OUR NEW YORK STAFF

UNIONS at Pan Am, the struggling US airline, have formally begun to seek another airline to make a takeover bid for their company.

The unions' announcement was made after the company's management rejected an offer of wage concessions in exchange for board representation and a large issue of Pan Am shares to its workers.

The unions have hired Rothschild Inc, the New York investment bank, and a leading firm of merger lawyers to look for possible buyers. Pan Am announced later that it had retained Citicorp Investment Bank to provide it with merger and acquisition advice and had lined up a $150m line of credit for unspecified purposes.

The union consortium, which represents pilots, flight attendants and clerical workers, is likely to offer potential bidders attractive pay agreements in order to inject new capital into the cash-starved airline and unseat the present management.

The offer of such agreements, as well as the 7 per cent block of Pan Am's shares controlled by workers through retirement and employee stock ownership plans, could give the unions considerable leverage in any future merger negotiations.

In a comparable case in 1985, the unions at Trans World Airlines succeeded in blocking a bid from Texas Air and arranged for the company to be sold to Mr Carl Icahn by offering him wage concessions, but not to Texas Air.

According to Wall Street speculation, Pan Am has recently been involved in merger discussions with AMR, the parent company of American Airlines. AMR is interested in acquiring Pan Am's international route network, but it is known to be concerned about the company's large debts and its long history of labour problems.

KLM hit by fares war and lower $

By Laura Raun in Amsterdam

KLM Royal Dutch Airlines' profits fell 15 per cent to Fl 289.6m ($142m) in the first nine months of 1986/87 from Fl 342.7m a year earlier on the sharply lower dollar and stiffer price competition.

The Netherlands flag carrier predicted that earnings for the full year ending March 31 would fall below last year's Fl 312m, the first annual decline in six years.

The fourth quarter is historically a weak one because of the winter season and KLM said it expected the lower trend seen over the first three quarters to continue.

Revenue declined 10 per cent to Fl 4.15bn in the April to December period from Fl 4.62bn the year before, with traffic income down 12 per cent and other income off 1 per cent. The weaker dollar hit turnover when translated back into guilders, and the cheaper air fares resulting from keener competition also curbed revenue.

In its results, released yesterday, KLM made no mention of its aborted attempt to take over Hilton Hotels, a bid that was vetoed by the supervisory board as too risky. The surprising takeover attempt has raised questions of whether the 39-per-cent Government-owned airline plans to move more deeply into the hotel business and whether its finances are healthy enough to do so.

Costs fell 10 per cent in the first three quarters as jet fuel plunged 49 per cent but operating income still was 4 per cent lower at Fl 286.7m compared with Fl 299.4m. Virtually no income was derived from asset sales whereas Fl 62.4m was registered in the year-earlier period.

Traffic rose 8 per cent in the first nine months while the occupancy rate – the amount of seats and cargo space filled as a portion of the total – slipped to 67.1 per cent from 67.6 per cent.

In the third quarter net income fell 13 per cent to Fl 34.1m from Fl 39m while revenue grew Fl 423.1m from Fl 407.2m. Traffic rose 11 per cent while the occupancy rate fell to 66.3 per cent from 67.2 per cent.

As part of KLM's renewal programme, six Boeing 737-300s were added to the fleet and two Sikorsky S-76B helicopters were received in exchange for two S-76A's in the third quarter.

Ericsson plans links in Italy and Spain

BY SARA WEBB, STOCKHOLM CORRESPONDENT

ERICSSON, the Swedish telecommunications and electronics group, says it hopes to increase its share of the public telecommunications markets in Spain and Italy through separate agreements with Telefonica of Spain and Telit, the Italian telecommunications equipment company which could result from the proposed merger of the state-owned Italtel and the Fiat group's Telettra subsidiary.

Ericsson is also exploring the possibility of producing its radio equipment in Spain at Marconi Espana, the defence electronics manufacturer owned by Standard Electric.

Talks are still at the preliminary stage but Ericsson says that Telefonica and Telit could eventually take equity stakes in Ericsson of about 5 per cent, either through a new share issue or by buying existing Ericsson shares.

Ericsson is discussing the possibility of future co-operation with Telit in the Italian public telecommunications field with a view to strengthening its market position and sharing development costs for switching and transmission equipment.

In Spain, Ericsson claims to have a market share of about 25 per cent, but it wants to increase this through a simular deal with Telefonica, which it has supplied with switching and telecom equipment in the past, in competition with Siemens of West Germany.

Ericsson is also considering using production facilities at Marconi Espana, to produce defence and civilian radio equipment in Spain.

According to Ericsson, Marconi Espana has "too many people working for the Production on hand." Mr Bo Landin, an Ericsson executive said: "We are not discussing buying Marconi, just making use of their workforce."

Gotthard Bank plans anniversary bonus

BY JOHN WICKS IN ZURICH

GOTTHARD Bank of Lugano proposes to pay a 4 per cent bonus for 1986 in addition to an unchanged regular dividend of 16 per cent. The bonus is intended to mark the bank's 30th anniversary.

This follows a 15 per cent rise in net profits for the year to a record SFr 39.2m ($25.6m). Gross earnings increased by about 6 per cent to a new high of SFr 76m of which SFr 36.75m was set aside for provisions and depreciation.

At the February 26 annual meeting the board will also propose a rights issue to raise about SFr 30.75m the bank's chairman.

Dr Fernando Garzoni, the bank's chairman, said that preliminary contracts had been signed for the acquisition of a bank in Geneva. Details are expected later this month.

Gotthard, in which Sumitomo Bank of Japan has a controlling interest, plans to open representative offices in London and Tokyo.

Within the 1986 profit-and-loss account, net commission earnings rose 24 per cent to SFr 65.5m, net interest income 28 per cent to SFr 31.7m and income from securities 28 per cent to SFr 19m.

However, earnings from foreign exchange and precious-metals trading were down 12 per cent to SFr 17.7m and income from participations by 63 per cent to SFr 4.8m. This latter decline reflected a cut in dividends from the Bahamas subsidiary, Gotthard Bank International, in the light of the low dollar exchange rate.

Commodore ahead in quarter as recovery continues apace

BY LOUISE KEHOE IN SAN FRANCISCO

COMMODORE International, the US personal computer manufacturer, continued to improve its financial status, with second quarter net profits of $21.8m, representing the company's third consecutive quarterly profit after five quarters of heavy losses.

Second-quarter profits included a $5.8m tax credit bringing per share earnings to 68 cents, compared to a loss of $53.2m in the same quarter a year ago.

Sales in the 1986 second quarter fell 20 per cent from $339.2m to $270.8m. The company blamed the lower sales on product shortages. "Cash constraints did not allow us to build more products," a spokesman said.

Commodore's president and chief executive, Mr Thomas Rattigan, said that Commodore ended the second quarter with its highest cash position since the March quarter of 1983. Bank debts were reduced by $20m during the quarter and inventories by $50m.

In January, Commodore introduced two low-priced IBM-compatible personal computers. The company said it planned to launch additional new products during the first half of 1987.

● Activision, the home computer and video-game software publisher, moved further into the red with third quarter losses of $3.9m, or 11 cents a share, compared to losses of $900,000, or 3 cents a share, in the same quarter a year ago. This was despite a 65 per cent increase in sales to $9.6m from $5.8m.

Third-quarter losses included a charge of $2.4m resulting from the pending settlement of a three-year-old shareholder suit.

Last month Mr James H. Levy, company founder, chairman, president and chief executive, resigned over "differences of opinion" with the company's board.

He was replaced by Mr Bruce Davis, who joined the company seven months ago. Analysts anticipate major cuts aimed at improving short-term profitability.

US GROUP HOPES TO EXPAND BRITISH OUTLETS TO 500 STORES

Circle K buys UK retail chain

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

CIRCLE K of the US, one of the world's leading convenience store operators, moved into British retailing yesterday with the £20m ($30.2m) purchase of the 84 shops which make up the Sperrings chain.

The deal brings the number of Circle K outlets in the UK to 104 – a base which could be expanded to 500 stores during the next five years, according to Mr Karl Eller, group chairman.

The Circle K fascia, at present on only three London stores, will gradually displace the Sperrings name. It will also appear on the company's other UK shops which trade as Zip-in, John Quality and Dales.

Although the convenience store concept – characterised by long opening hours and a wide range of goods on sale – has made only sluggish progress in the UK since it was first introduced about 10 years ago, Mr Eller was confident that changing lifestyles assured it of a future.

Sperrings, a private company 70 per cent owned by Mr Robert Sperring, is the largest of Britain's specialist convenience retailers. Turnover last year was £52m.

The future of Mr Sperring was unclear yesterday, although he said he intended to stay with Circle K as a non-executive director for "the first few months."

Circle K, the world's second largest convenience store group after Southland, has 3,900 stores around the world and last year turned over more than $2bn.

Mr Eller said continued investment in the UK would speed growth through a combination of company-owned stores, area licences and independent franchises.

Southland's UK operations, trading as 7-Eleven, are handled under licence by Guinness, which has recently built up a strong retail business through a series of takeovers.

National Steel returns to the black

By Our Financial Staff

NATIONAL STEEL, the sixth largest US integrated steel producer jointly owned by National Intergroup of the US and Nippon Kokan of Japan, returned to the black in the fourth quarter of 1986 with net earnings of $2.8m, compared with a loss of $27.2m a year earlier.

For 1986, however, the company remained in deficit to the tune of $59.8m, against a loss of $88.4m in 1985. Revenues were flat at $2.1bn, but rose in the final quarter from $508m to $593m.

National Intergroup sold a half interest in National Steel to the Japanese company in 1984.

Last summer Mr Kokichi Hagiwara, a senior Nippon Kokan executive, was appointed as president of Pittsburgh-based National Steel.

Drexel revenues up 60% at year-end

BY WILLIAM HALL IN NEW YORK

DREXEL Burnham Lambert, the fast-growing New York investment bank which has come under close scrutiny in the financial community because of its business dealings with Mr Ivan Boesky, the disgraced US financier, raised over $70bn for its clients in 1986 and boosted revenues by 60 per cent to over $4bn.

The firm's capital increased by 90 per cent to $1.8bn of which about $1.4bn was equity. Excess net capital, which is surplus to the minimum needed to carry on its business, was about $1bn, the biggest in the firm's history.

Reporting this, Mr James Balog, a vice president of the privately held firm, went to some lengths to demonstrate that the firm's capital raising abilities went considerably beyond the so-called "junk bond," or high-yield market, which it has pioneered and where its role has come under scrutiny by the authorities in the wake of the Ivan Boesky affair.

Drexel raised $14.5bn of "junk bonds" last year, and although its market share slipped by 9 points to 45 per cent the volume of "junk bonds" raised rose by 76 per cent.

While Drexel refused to comment on several recent reports in the US media about its involvement in the Ivan Boesky affair and related takeover transactions, it stressed that its business had not been hurt by the recent adverse publicity.

For the year, Drexel ranked second in initial public stock offerings, raising $1.9bn, advised on 188 merger and acquisition transactions valued at $44.2bn, and managed or co-managed $23.1bn of municipal securities.

Mesa makes $2.1bn bid for Diamond Shamrock

BY WILLIAM HALL IN NEW YORK

MR T. BOONE PICKENS, the Texas oil man and corporate raider, has offered to buy Diamond Shamrock, the loss-making Dallas energy company, for $15 a share, or $2.1bn.

Mr Pickens' Mesa Partnership proposed an all-cash merger for Diamond, which earlier this week unveiled a massive restructuring and management shake-up in a bid to escape from Mr Pickens' overtures.

Mr Pickens called on Diamond's board either to accept Mesa's merger proposal or at least to permit its shareholders to choose between the proposal and the company's restructuring plan at a special shareholders' meeting.

Mesa said Diamond's restructuring proposal was a defensive reaction to Mesa's previous offers and was scheduled to be implemented without a shareholder vote.

Shareholders will be able to sell 18 per cent of their common shares to the company at a premium. However, the value of the remaining 82 per cent will be impaired by the defensive placement of the newly created Prudential preferred stock and the reduction in annual common stock dividends from 40 cents to 10 cents per equivalent share.

Compared with the 1985 dividend rate of $2 a share, Diamond shareholders will have suffered a 95 per cent reduction in dividends in less than 18 months.

Under its controversial restructuring plan announced earlier this week, Diamond Shamrock proposed splitting in two, spinning off its profitable refining and marketing operations as a publicly traded company, buying back 20m of its shares at $17 a share and raising $300m by placing a substantial block of its shares with Prudential *Insurance of America*.

Mesa believes that its cash merger proposal represents a superior alternative to the board's restructuring plan and would like a response by next Wednesday. In a letter to Diamond Shamrock's board of directors, Mr Pickens said: "Diamond shareholders are the owners of the company and the board should not prevent them from deciding what they wish to do with their investments."

WestLB plans move into E. Berlin

By David Marsh in Düsseldorf

WESTDEUTSCHE Landesbank (WestLB), West Germany's third largest bank, has applied to open a representative office in East Berlin to back up its East-West trade financing efforts.

Mr Axel Kollar, WestLB board member responsible for international banking, said: "Talks are going on with the relevant authorities." However, he declined to give further details.

The WestLB plan has attracted some political attention as it would represent the first time that a West German bank had opened an office in the eastern side of the city.

West Germany does not recognise East Berlin as the capital of an independent state, and Bonn has always fought shy of any steps which seem to give legitimacy to East Germany.

The East Berlin move would follow steps last year by WestLB to open representative offices in Peking and Moscow. The bank has also received a licence to set up a securities dealing operation in Tokyo.

Mr Kollar, who is in charge of a new investment banking unit at the bank's Düsseldorf headquarters to handle its domestic and international securities business, said the bank now had to "digest" these latest additions to its world network.

Mr Kollar said that, in order to keep an eye on scientific areas with business potential, the bank had set up a small team to keep abreast of "future markets" in high technology.

These included the commercial exploitation of space.

Dana's lower earnings fail to dampen optimism

BY ANATOLE KALETSKY IN NEW YORK

DANA, the largest US manufacturer of vehicle parts and components, reported a fall in net income to $85.9m, or $1.68 a share last year, compared with $165.1m, or $2.95, in 1985.

However, Mr Gerald Mitchell, the company's chairman, described 1986 as an excellent year for Dana and its shareholders. He said he was "very optimistic" about earnings prospects in 1987 and beyond.

Dana's worldwide sales declined marginally in 1986 to $3.69bn from $3.75bn, as the company continued a retrenchment programme begun almost five years ago in response to foreign competition and overcapacity in US car markets.

Dana's 1986 results were hit by charges and write-offs of $42.7m, or 84 cents a share, partly offset by a one-time gain of $9.4m from its leasing operations.

Among the streamlining measures taken was the closure of Dana's insurance businesses, with the exception of property reinsurance, and the streamlining of a manufactured housing operation.

Dana has also continued to shift production from its large traditional plants to 40 new small and flexible manufacturing plants and regional assembly centres.

Mr Mitchell said yesterday that the company's restructuring was now substantially completed and the domestic manufacturing operations were "structured for the competitive conditions we face."

Dana's international operations, which generally account for about 20 per cent of sales, were all profitable for the first time since 1981, Mr Mitchell said.

Freeport-McMoRan Gold profits up in US

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

THE US Freeport-McMoRan Gold subsidiary of the Freeport-McMoRan natural resources group has reported final quarter 1986 earnings of $5.29m, or 13 cents per share, compared with only $713,000 a year ago. This took the 1986 total to $13.69m, or 34 cents per share, against $1.81m in 1985.

The strong performance in 1986 reflects record sales of gold, amounting to 189,070 oz against 179,518 oz in 1985, and an average price of $365.98 per oz against $319.04 in the previous year. Production costs in 1986 equalled $173.79 per oz.

In November the parent company considered a public offering of 3m shares in the gold subsidiary, which would have reduced its holding to 77 per cent from 83.7 per cent. The plan was shelved as a result of the disappointing gold price at that time, but it may be revived in the next few months.

Meanwhile, shareholders in the parent company have received a dividend distribution of common stock in the gold company which has reduced the parent company's holding to 82.4 per cent. The parent earned $25.69m, or 38 cents per share, in 1986 after writing off $149.6m from oil and gas assets. Net income for the previous year amounted to $111.46m.

North American Quarterly Results

WEST COAST TRANSMISSION
Gas transmission

Fourth quarter	1986 $	1985 $
Revenue	–	–
Op. net profits	12.4m	19m
Op. net per share	0.24	0.36
Year		
Revenue	943.m	1.2bn
Op. net profits	50.9m	59.4m
Op. net per share	1.02	1.37

PIEDMONT AVIATION
Passenger carrier

Fourth quarter	1986 $	1985 $
Revenue	509.6m	417.4m
Net profits	17.5m	19m
Net per share	0.78	0.99
Year		
Revenue	1.87bn	1.53bn
Net profits	72.4m	66.7m
Net per share	3.46	3.68

TORCHMARK
Insurance, financial services

Fourth quarter	1986 $	1985 $
Revenue	407.1m	308.3m
Op. net profits	52.5m	47.2m
Op. net per share	0.72	0.61
Year		
Revenue	1.55bn	1.36bn
Op. net profits	205m	165.1m
Op. net per share	2.72	2.17

TOTAL PETROLEUM
Integrated oil company

Fourth quarter	1986 $	1985 $
Revenue	387.6m	596.9m
Op. net profits	2.5m	9.5m
Op. net per share	0.04	0.37
Year		
Revenue	1.6bn	2.4bn
Op. net profits	39m	54.7m
Op. net per share	1.25	2.12

PLAYBOY ENTERPRISES
Publishing/leisure

Second quarter	1986 $	1985 $
Revenue	41.8m	48.1m
Net profits	2.4m	†40.7m
Net per share	0.26	†4.32
Six months		
Revenue	82.1m	95.7m
Net profits	2.9m	†42.6m
Net per share	0.31	†4.53

†Loss

SEARS CANADA
Retailing

Fourth quarter	1986 $	1985 $
Revenue	1.27bn	1.27bn
Net profits	55.5m	47.6m
Net per share	0.65	0.54
Year		
Revenue	3.89bn	3.79bn
Net profits	78.7m	75.5m
Net per share	0.90	0.86

CONSUMERS POWER
Utility

Fourth quarter	1986 $	1985 $
Revenue	872.3m	891.7m
Net profits	81.1m	†364.1m
Net per share	0.20	†4.47
Year		
Revenue	3.11bn	3.3bn
Net profits	177.2m	†289.5m
Net per share	0.74	†4.42

† Loss reflects $417m writedown

ELECTRONIC DATA SYSTEMS*
Computer services

Fourth quarter	1986 $	1985 $
Revenue	1.15bn	1.01bn
Net profits	71.6m	67.4m
Net per share	0.59	0.47
Year		
Revenue	4.36bn	3.44bn
Net profits	266.9m	189.8m
Net per share	2.13	1.57

* Subsidiary of GM

EMERY AIR FREIGHT
Air freight

Fourth quarter	1986 $	1985 $
Revenue	236.6m	232.2m
Op. net profits	2m	2.8m
Op. net per share	0.10	0.15
Year		
Revenue	867.5m	876.5m
Op. net profits	†5.2m	17.8m
Op. net per share	†0.27	0.93

†Loss

MAYTAG
White goods

Fourth quarter	1986 $	1985 $
Revenue	414.2m	369.9m
Net profits	25.3m	27.6m
Net per share	0.59	0.64
Year		
Revenue	1.72bn	1.66bn
Net profits	111.2m	134.9m
Net per share	2.57	2.89

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Eurodollar tone firmer on hopes for US refunding

BY CLARE PEARSON

THE EURODOLLAR market developed a firmer tone yesterday as hopes grew that the last stage of the US Treasury refunding programme in New York—the auction of 30-year bonds—would meet stong foreign demand.

Prices of longer-dated Eurodollar bonds rose by as much as ½ per centage point, though no new issues emerged in this sector.

Instead, new issue managers concentrated on Australian dollar issues. Three new deals surfaced, all designed to appeal to West German investors who are key buyers in this marke.

The most popular was an A$100m bond led by Deutsche Bank Capital Markets for its parent company. The five-year deal, in the name of Deutsch Bank Finance, bears a 14¼ per cent coupon and 101½ issue price.

The issue was quoted at a bid price of 100½ comfortably within its 2 per cent total commissions.

The other two issues for West German banks were expected to prove attractive to investors too, although they traded in the shadow of Deutsche Bank's issue yesterday.

Morgan Guaranty led an A$40m deal for BHF-Bank, and Bayerische Vereinsbank an A$50m offering for Vereins und Westbank. Both five-year deals have 14¼ per cent coupons, although BHF's issue price is ½ point higher at 101½. Both were quoted at discounts of 1¼ points, just within 2 per cent fees.

Scandinavian bank borrowers were active in the Euroyen market. Warburg Securities' Y10bn five-year deal for Christiania Bank og Kreditkasse, the Norwegian bank, was structured as a "step-up" coupon issue to suit the cash-flows of certain Japanese investors.

INTERNATIONAL BONDS

The issue pays 1 per cent interest during the first two years, and 7 per cent thereafter. Yasuda Trust was joint book-runner, while Tokai International was co-lead manager.

Meanwhile, Bank of Tokyo International led a Y10bn seven-year 5½ per cent bond for Postipankki, the Finnish postal savings bank. The issue was priced at 101¼.

Recent equity warrant bonds *for Japanese companies, which* have been trading at substantial premiums, were marked lower yesterday by about one point, though dealers said the sector was still firm.

Nikko Securities added a $30m five-year bond for Kobe Electric Railway to this week's crop of bonds. The deal, which has an indicated 3¼ per cent coupon, traded at a premium of about 1½ points *to its par issue* price.

In the D-Mark market, prices of both Euro-D-Mark and domestic issue were steady in medium volume.

The new federal DM 4bn 5¾ per cent 10-year bond traded at around 99.80, about 20 basis points below Wednesday's levels, but still above its 99½ issue price.

In Switzerland, volume continued *high while* prices were mostly stable.

Credit Suisse prices its recent SFr 200m two tranche equity linked issue for Kuraray, the Japanese manufacturer of synthetic fibres.

Coupons on both tranches were set ¼ per cent below indicated levels. The coupon on the convertible bond was set at 1½ per cent and that on the equity warrants bond at 1⅞ per cent.

Israeli group launches floaters

BY ANDREW WHITLEY IN TEL AVIV

A RARE venture into the Eurobond market has been made by Clal (Israel), a leading Israeli conglomerate.

Clal, a widely diversified group whose activities range from tourism to heavy industry, is to issue US$20m of seven-year floating rate notes through its subsidiary Clal Finance N.V. Purchasers will have an option to redeem the bonds in 1992.

An announcement this week said the issue, underwritten jointly by Banks Leumi and Hapoalim, Israel's two leading banking organisations, said the issue would pay ¼ per cent over Libor subject to a minimum of 6¾ per cent.

The public offering follows Clal's success a year ago with a smaller, US$12m bond issue, provided *on similar terms*. Last year's issue, managed exclusively by Bank Leumi, was the first on the Eurobond market by a non-banking Israeli company.

As part of its anti-inflation efforts, current government policy is to minimise foreign borrowing by either the private or public sector, so as to maintain a tight control over the domestic money supply.

Guaranteed by Clal (Israel), which has an annual turnover of about US$1bn, proceeds from the bond issue will go to the group's general reserve, to finance current activities. An application has been made to list the notes on the Luxembourg Stock Exchange.

Clal is a conservatively managed group which has chosen consolidation over expansion in recent years. It still retains strong links with South America through its founding shareholders.

Mr Aharon Dovrat, its long-standing managing director, is himself of Argentine origin.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	*95¼	95¾	0	−0¼	7.94
A/S Eksportfinans 7⅜ 93	100	99¼	100¼	+0⅛	−0⅛	7.42
Australia Com. 11 95	200	116¼	117	+0⅛	−0⅛	8.15
Australia Com. 11¼ 00	100	116½	117	+0⅛	−0⅛	9.02
BP Capital 9¼ 94	100	106¾	107¼	+0¼	+0¼	7.90
British Telecom 7⅝ 96	250	97¾	98¼	0	−0¼	7.92
Campbell Soup 10½ 95	100	113½	114⅛	0	−0⅛	8.19
Canada 9 96	1000	107⅞	108⅜	+0⅛	−0⅛	7.72
Canadian Pac. 10¼ 95	100	†109¼	109¾	+0⅛	−0⅛	8.72
CCCE 7⅛ 91	125	99¼	99¾	+0⅛	−0⅛	7.21
CNCA 7⅛ 91	150	99⅝	100⅛	+0⅛	−0⅛	7.27
Citicorp 8¼ 93	200	98¼	98¾	0	−0½	8.57
Credit Lyonnais 9 91	200	105¾	106¼	0	−0⅛	7.38
Credit National 9⅛ 93	150	106¼	106¾	+0⅛	+0⅛	7.73
Credit National 7⅛ 91	150	99¾	100¼	0	−0⅛	7.20
Denmark Kingdom 7⅝ 93	250	99¼	100¼	+0⅛	−0⅛	7.74
Denmark Kingdom 8¼ 91	300	102¼	103¼	+0⅛	−0⅛	7.41
EEC 7 91	100	99¼	99¾	+0⅛	−0⅛	7.09
EEC 8¼ 96	100	103⅝	104⅛	+0⅛	−0⅛	7.64
EEC 8⅜ 91	150	105½	106	+0⅛	−0⅛	6.94
EIB 7⅝ 93 B	100	100¼	100¾	+0⅛	−0⅛	7.55
EIB 7⅝ 93 A	150	100¼	100¾	+0⅛	−0⅛	7.50
Eurofima 7⅞ 91	100	102	102½	+0⅛	0	7.23
Export Dev. Corp. 10 90	100	109	109½	+0⅛	0	6.77
Finland 7½ 93	200	99½	100	+0⅛	−0⅛	7.54
Ford Motor Cred. 10½ 91	150	110¼	111⅛	+0⅛	−0⅛	7.47
Ford Motor Cred. 11⅝ 90	100	110¼	111¼	+0⅛	−0⅛	7.21
Gen. Elec. Cred. 10⅛ 00	200	106⅝	106⅞	+0⅛	0	9.35
GMAC 10¼ 89	200	107	107½	+0⅛	−0⅛	6.75
GMAC 8½ 93	200	103¾	104¼	+0⅛	−0⅛	7.67
IADB 9⅞ 95	200	113	113½	+0⅛	−1⅛	7.75
Liberty Mutual 8½ 96	150	103⅛	103⅝	+0⅛	−0⅛	7.95
LTCB of Japan 8 91	100	102½	103	0	−0⅛	7.25
Merrill Lynch 8¼ 91	200	104⅛	104⅝	+0⅛	+0⅛	7.02
Mercedes-Benz Cred. 7½ 93	100	101	101½	+0⅛	0	7.24
Mitsubishi Fin. 7⅞ 93	100	100⅛	100½	0	−0⅛	7.82
Mutual America 7⅝ 92	100	100⅛	100⅝	+0⅛	0	7.53
Norway Kingdom 7⅛ 91	500	100⅛	100⅝	+0⅛	−0⅛	7.13
Pepsico Inc. 7⅞ 93	200	98½	99	+0⅛	0	7.82
Qantas Airways 10⅝ 95	140	113¼	113¾	+0⅛	−0⅛	8.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Bank 2⅝ 01	4/86	1019	189⅝	191¼	−0¼	0.66
Mitsui Trust 2⅝ 01	10/86	1990	138	139⅝	−0⅛	0.46
Murata 3½ 00	7/84	1998	180½	182½	−1	−2.44
Nippon Elec. 2⅞ 00	1/85	1295	255¼	257¼	−0⅛	236.64
Nippon Oil Co. 3 00	5/85	923	212	214	−6⅝	−4.10
OKI Elec. Ind. 3½ 99	10/84	885	128	129½	−0½	1.40
Sanwa Bank 2¼ 00	10/85	1442	264¼	266¼	−1¼	1.01
Sumitomo Bank 2¼ 00	8/85	2142	249¼	251¼	−1¼	6.23
Toshiba Ceramics 3 00	4/85	1734	121⅝	122⅝	−0½	1.29
Nippon Oil Co. 2⅞ 92 SFr	3/84	1001	*†126¼	127¼	0	−5.15
Nippon Shinpan 2 92 SFr	3/84	696.5	†171½	172½	−5½	−4.31
Yokohama, Bank of 2⅝ 01	10/86	1045	147½	149	+2½	1.50
Asics 5 92 DM	12/83	472	119½	120½	0	6.86

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Salomon snaps up Japanese issue

SALOMON BROTHERS Asia, the Tokyo subsidiary of the Wall Street investment banking house, bought about 40 per cent of the Y100bn of two-year Japanese Government notes issued at the February 3 auction, Reuter reports from Tokyo.

Ministry of Finance (MoF) officials said this was the first time a foreign house had purchased more of an issue than the Japanese securities firms on their home territory.

The auction of the 3.8 per cent coupon two-year notes drew bids totalling Y352bn, producing a post-war low average yield of 3.973 per cent with an average price of 99.74.

Salomon's total bids were estimated at around Y80bn.

Salomon told bond traders it had bought in response to clients' needs, according to bond market participants. However, Salomon's aggressive bidding also appears to have been part of an attempt to demonstrate its commitment to the Japanese bond market in hopes of expanding its share of underwriting 10-year government bonds.

Late last month, Salomon said that it would be increasing the capital of Salomon Brothers Asia tenfold, making it the fifth largest securities company in Japan.

Foreign securities houses are allowed to underwrite about 0.3 per cent of the volume of every issue of government bonds, the MoF said yesterday.

Salomon's purchase of an estimated Y45bn of the notes compares with about Y30bn *by Nomura and Y20bn by* Yamaichi Securities.

Some Japanese bond market salesmen question, however, whether Salomon yet has the broad sales network in Japan to justify such large purchase orders from clients.

Stephen Raven quits Warburg to join County

By Alexander Nicoll, Euromarkets Editor

MR STEPHEN RAVEN, a senior figure in the London market in international equities, is to leave Warburg Securities and join County Securities, the equity arm of the National Westminster group, as a managing director.

Mr Raven, 48, will head County Securities' domestic and international marketing for securities worldwide. He will retain the seat he has held since 1975, on the Stock Exchange Council, where he has been a key proponent of boosting trade in foreign shares and is deputy chairman of the Foreign Equity Market Committee.

He was heavily involved in the Stock Exchange's negotiations with Isro, the grouping of international securities firms, which eventually resulted in a merger.

He said yesterday that he "enjoyed building" and looking forward to helping County develop its international securities business. Mr Raven, who was closely involved in setting-up Rowak (an international dealing venture of Rowe and Pitman and Akroyd and Smithers until both firms were absorbed into Warburg Securities last year), said Warburg's activities in the field were now well under way.

Mr Philip Rimell, chairman of County Securities, said the group was seeking to strengthen senior management, and Mr Raven would bring considerable experience and expertise, particularly in international business where County is directing its main efforts.

Turkey signs for $100m loan

By Alexander Nicoll

TURKEY, which has raised a series of international loans over the past year, yesterday signed a $100m co-financing loan in Luxembourg with 22 commercial banks and the World Bank.

Deutsche Bank's Luxembourg subsidiary led the banks' $80m portion of the loan, which falls within a financial sector adjustment programme agreed by Turkey and the World Bank.

Although the final maturity is 10½ years, the banks will be repaid within the first eight years and the World Bank thereafter. Interest is believed to be set 1¼ per cent above London interbank offered rates for the first three years and 1⅛ thereafter.

Credit Suisse in Gibraltar

By Joe Garcia in Gibraltar

CREDIT SUISSE, one of the big three Swiss banks, is to open a subsidiary in Gibraltar called Gibraltar Trust Bank. Its executive chairman will be Mr George Moore, a former Citicorp executive.

Credit Suisse expects its customers to be private and corporate investors from around the world.

Bernard Simon examines the strength of a country's financial markets

Canada enjoys best of all worlds

BUOYED BY an unusually heavy inflow of foreign capital, Canada's financial markets are putting on their strongest showing in several years.

The Canadian dollar, which just a year ago touched an all-time low of 69.10 US cents, sailed above 75.5 cents this week. More than half the increase has come since New Year. The dollar's strength enabled the Bank of Canada to augment foreign reserves by US$2bn last month, bringing them to their highest level in 13 years.

The corollary of a firm currency in Canada has normally been higher interest rates in the form of a wider spread between US and Canadian short-term rates required to attract foreign capital. For the time being, however, Canada is getting the best of all worlds.

Bank of Canada's discount rate has sunk by 75 basis points in the past three weeks. At 7.49 per cent, it is at its lowest level in nine years. Short-term mortgage rates dropped below 8 per cent this week.

At the same time, the gap between US and Canadian rates, which was held wide in the second half of last year to forestall another run on the Canadian dollar, has narrowed in the past fortnight from over 200 basis points to a more normal 140.

The Toronto Stock Exchange is also booming. Since the beginning of the year, the TSE 300 index has shot up more than 12 per cent to 3,448, from 3,066.

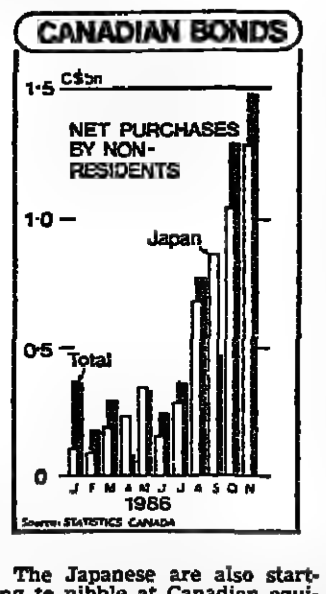
The tumbling US dollar and the surge on Wall Street only partly explain the sudden strength of Canadian markets. International investors also appear to be taking a rosier view of Canada than they did this time last year.

They have been encouraged by advances in the prices of some Canadian-produced commodities, including gold, oil and forest products. Shares of companies producing these items have been among the strongest performers on the TSE.

Most of the foreign buying of Canadian securities has come from cash-flush Japanese institutions (see table). According to Miss Yaeko Munamasa, an assistant vice-president in Wood Gundy's international division, many Japanese institutions, burned by last year's plunge in the Australia dollar, have switched to North American fixed interest securities.

The weakness of the US dollar has prompted some of these investors to favour Canada. An executive at Daiwa Securities in Toronto says that Candian bonds at present offer "better returns at the same risk" as US securities. Despite the recent decline, Canadian interest *rates remain among the highest* of any industrial country.

CANADIAN BONDS



The Japanese are also starting to nibble at Canadian equities, although US investors dominate foreign interest in the Toronto Stock Exchange. South Africa's political problems have been a boon for Candian gold mining stocks.

Canadian securities dealers have become increasingly active in promoting investment in Canada to Japanese institutions. Four Toronto firms — Wood Gundy, Dominion Securities, Richardson Greenshields and *McLeod Young Weir—now have* offices in Japan.

Miss Munamesa says US securities firms are also extolling the virtues of Canadian investment to their Japanese customers.

The surge in foreign capital inflows has contributed to a mood of near-euphoria about the course of interest rates and the dollar. McLeod Young Weir has gingerly suggested that the dollar may top 80 US cents within the next three years.

McLeod's forecast is based on an improvement in the terms of trade, a falling federal budget deficit relative to total output, and competitive labour costs. Although Canada's inflation rate, at 4.1 per cent for 1986, is currently well above the US, the gap is expected to narrow as prices pick up south of the border.

In any case, McLeod argues that the difference in overall inflation rates is due largely to Canadian sales tax increases. Based on the difference in unit labour costs. MYW concludes that "the Canadian dollar is as much undervalued today as it was overvalued in 1975-76."

On the interest rate front, the dollar's strength enables Ottawa to enjoy the rare luxury of a more independent monetary policy. Mr Andrew Alleyne, senior economist at Toronto-Dominion Bank, forecasts that Canadian interest rates will follow US rates upward later this *year, but that the climb in* Canada will be much less steep.

FFr 10bn of bonds go in new French Treasury sale

BY GEORGE GRAHAM IN PARIS

THE FRENCH Treasury yester*day sold FFr 10.6bn of Govern*ment bonds in a new type of auction.

The monthly auction procedure was introduced in France last year, but yesterday's sale was the first at which the newly nominated primary dealers were able to bid non-competitively for the bonds at the average rate of the main auction.

The non-competitive bidding procedure is one of the main privileges for the 13 primary dealers, who are obliged to maintain a continuous market in French Treasury bonds and bills. Primary dealers yesterday took up FFr 870m of bonds at the non-competitive auction, around 9 per cent of the total allotted.

The auction included an 8.5 per cent bond maturing in 2012, unusually long for the French *Government securities market*. The Bank of France said yesterday that FFr 3.1bn of the bond had been allotted at a cut-off price of 91.30.

Dealers said the 25-year bond had been a little disappointing, but that the French market, with a relatively flat yield curve, was uncertain over how to price such a long maturity.

A further FFr 1.7bn of an 8.5 per cent 1994 bond was allotted, as well as FFr 5bn of a variable rate 1999 bond indexed on the average yield of the weekly Treasury bill auctions.

Buyers at yesterday's auction will be able to pay for up to half of their purchases with the Treasury 7 per cent 1973 bond, the famous "Giscard" bond indexed on the price of gold.

Citibank gives other banks access to its mortgages

BY OUR EUROMARKETS STAFF

CITICORP INVESTMENT Bank has arranged a facility with a group of banks — termed a secured mortgage participation programme — entitling them to participate in £60m worth of Citibank's portfolio of UK *mortgages*.

The deal takes the form of a syndicated loan, whereby banks advance money to Citibank Trust, a wholly owned subsidiary of Citibank and the originator of the mortgages. In return they receive each month both any principal repayments and interest payments on the mortgages.

This is the first such repackaging of UK home loans to be carried out in the banking market, and follows a pioneering bond issue of repackaged mortgages of National Home Loans (NHL), the UK mortgage investment company, in the Eurobond market last month.

Citibank's programme, which pays interest at ⅛ percentage point over three-month London interbank offered rate (Libor), is *secured* by a fixed charge over the portfolio.

It has a final maturity after 21½ years but, on the basis of expected repayments on the underlying mortgages, its average life is expected to be between seven and eight years. Citibank Trust can cal lit if the outstandings in the portfolio fall below £6m.

Citibank Trust will cover losses on the portfolio up to £3.6m. All the mortgages have been on its books for 18 months or more, and 78.6 per cent of them are concentrated in the south-east of England.

Boral buys Blue Circle Southern

BY JANICE WARMAN

BROKEN HILL PROPRIETARY (BHP), the Australian resources group, and Blue Circle Industries, the UK's largest cement maker, have accepted an enhanced offer from Boral, Australia's leading building products group, of A$5.75 per share for their stakes of 41 per cent each in Blue Circle Southern Cement in Australia.

The new offer values Blue Circle Southern at some A$659m (US$440.9m) and is thus worth A$270.19m to each company. In January, soon after they announced they were looking for a buyer, Boral offered *A$5 a share, or six of its shares* for every five Blue Circle Southern shares, valuing the company at A$573m.

Acceptances to the first offer were minimal, and Blue Circle Southern shares had traded well above the bid price at about A$6 in anticipation of either a new Boral offer or a counter-bid.

Last year Blue Circle announced plans to cut 2,000 jobs and reduce production capacity in the UK.

Dr Gordon Marshall, deputy chairman and joint managing *director, said proceeds from the* sale could be used either overseas, possibly in the US where demand for cement is strong, or at home. But the process of producing cement more efficiently would continue.

"The original decision to sell was taken because we did not have a great deal of involvement in Australia and we decided we could use the money better elsewhere."

Blue Circle Southern accounted for £12m of Blue Circle Industries' £117m ($178.1m) pre-tax profits for 1985, and directors expect no growth in cement demand in Australia.

Blue Circle owns cement plants in the north-eastern and southern coast of the US as well as in the sunbelt states. They earned 20.8 per cent of the group's 1985 pre-tax profit.

Blue Circle Southern has an annual output of between 2.5m and 3m tonnes of cement, from five cement plants in New South Wales, Victoria, Western Australia and Queensland.

NZ inquiry into insider trading launched

By Dai Hayward in Wellington

THE New Zealand Securities Commission yesterday began an urgent inquiry into insider trading and the alleged use of paid informants by a share tipster organisation.

The inquiry was ordered by Mr Geoffrey Palmer, Justice Minister and acting Prime Minister, who said the Government planned an urgent crackdown on advertised hot tips for the stock market. The Government did not want its open market policies jeopardised by "grubby conduct that may undermine public confidence in the integrity of the market place," Mr Palmer said.

The urgent inquiry ordered by the Government is in addition to a review already under way on current New Zealand commercial law and insider trading practices.

For the past year there have been repeated allegations that many individuals and companies were using confidential inside information to make huge profits on the stock market. At present there are no regulations in New Zealand making this illegal.

The inquiry followed revelations that a company, Ascorp Group Trust, which published a monthly information bulletin and provides a "hot line" for share market tips to clients, was paying individuals for confidential information.

Ascorp has a team of analysts which study market trends and movements and produce most of the recommendations made to clients, but Mr Steve Spelman, Ascorp manager, said that some of the recommendations for the best buy on the share market came from information and tips of people with inside information.

Mr Spelman was subpoenaed to appear at yesterday's hearing but refused to disclose the names of his informants. The commission has ordered that he do so but Mr Spelman says he wishes to challenge this in a court of law. Disclosure of names could lead to people, including company directors and heads of share broking firms, who could lose their jobs, Mr Spelman told the inquiry.

Pertamina puts up improved performance

By John Murray Brown in Jakarta

PERTAMINA, Indonesia's state-run oil company, has announced audited accounts for only the second time in its 29-year history.

The figures, which cover the year to March 31, 1985, although long overdue, are seen as clear evidence of the company's better housekeeping, 12 years after Pertamina almost bankrupted the country with debts of $10bn.

They show a gross profit of 1,470bn rupiah ($900m), compared with 1,260bn rupiah in 1983-84, at a time when oil was selling at $29 a barrel compared with around $18 today.

More significantly, debt was further reduced from 1,100bn rupiah to 788bn rupiah over the period.

Pertamina's capital has also been substantially increased by 2,500bn rupiah to 6,600bn rupiah which, according to accountants, suggests a major injection of government funds over the 12-month period.

The figures, announced to parliament by Mr Abdul Rahman Ramly, Pertamina's president, show a market improvement in the management of working capital. Total assets, debtors and fixed assets are up 20 per cent to 10,300bn rupiah. The 1985-86 accounts are expected in June this year.

Pertamina is currently facing a sharp downturn in exploration activity. Many foreign companies are unhappy with production sharing rules, particularly the tax arrangements. *Mr Ramly told parliament that* the area covered by seismic surveys fell from 54,000 km in 1983 to 28,700 km last year.

Japanese carrier to go public

BY YOKO SHIBATA IN TOKYO

TOA Domestic Airlines (TDA), the expanding Japanese carrier, is to launch itself on the stock exchange through an issue of shares next month.

The Securities Dealers' Association of Japan is set to approve an application from TDA to list its stock on the over-the-counter market. It is to issue 300,000 new shares, and trading will begin on March 23.

TDA, the country's third largest airline, needs to raise low-cost funds amid the competitive climate created by the deregulation of the airline industry. The Japanese Government last year abolished the so-called 1970-72 Airline Constitution under which JAL was the Japanese flag carrier with extensive international and domestic trunk routes, while All Nippon Airways (ANA) was restricted to major domestic routes and TDA to minor internal routes.

The price of the shares has yet to be fixed, and the proportion of the company on offer was also not made clear. Major shareholders include Tokyu Railway, one of the country's private transport networks, and Toa Kogyo, an oil company. JAL itself has a stake.

ANA made a first foray into the international market last March by inaugurating flights to Guam, adding routes to Los Angeles and Washington last summer. TDA flew its first international flights to Seoul during the Asian Games last year and is to begin a Tokyo-Honolulu service in 1988, and short-distance international routes to Shanghai and Peking as well as Seoul and Indonesia.

In order to encourage competition, the Government has also removed the strict divisions in the domestic air market, allowing rights to all three airlines.

TDA has not had a good earnings record—pre-tax profits were just Y80.29m ($525,800) on sales of Y149.3bn in the year to last March. The securities authorities are understood to have relaxed listing rules governing earnings history in order to permit the TDA flotation.

Equiticorp plans rights, forecasts doubled profit

BY OUR FINANCIAL STAFF

EQUITICORP HOLDINGS, the fast-growing New Zealand investment company, is to expand its interests in financial services and is raising NZ$160m (US$87.4m) through a rights issue in order to fund the programme.

The one-for-four issue will be priced at NZ$3.20 a share, compared with a closing market price in Wellington yesterday of NZ$4.90.

Mr Allan Hawkins, the chairman, also forecast net earnings for the year which ends next month of between NZ$75m and NZ$85m, more than doubled from the previous year's NZ$30.4m.

He added that the funds raised from the cash call would be used in particular "to significantly increase the capital of the Equiticorp Banking Group." This was designed to take advantage of wide-ranging moves by the New Zealand Government to deregulate the financial sector, which from April will open the country's established commercial banks to new competition.

Equiticorp is to apply for a banking licence and will restructure its business into two units, separating banking and finance from investment activities.

The group has been active in takeover bids and the stock market generally, both at home and in Australia through Equiticorp Tasman.

Tokyo group takes 3% stake in Cominco

By Our Financial Staff

MITSUI MINING and Smelting, the Japanese non-ferrous metals producer, has taken a stake of about 3 per cent in Cominco, the Canadian zinc and lead smelter, in a move aimed at building ties between the companies.

Cominco shares jumped C$¼ on Wednesday ahead of the deal to close at C$16, valuing the parcel of 2m shares at C$32m (US$24.1m).

The Japanese company declined to give further details, but industry officials in Tokyo said the purchase might be an attemptt o pave the way for importing these metals from Cominco in future because of the strong yen against the dollar.

Bank of Jordan chooses non-family management

BY RAMI KHOURI IN AMMAN

A NEW BOARD and senior management team at Bank of Jordan, one of the country's largest and most profitable banks, represents the first instance of a private bank's owners putting the management of their institution into the hands of managers not related to them by family ties.

After the death last month of Mr Husni Sido al Kurdi, the former chairman, the Bank of Jordan has appointed Mr Tewfic Shaker Fakhouri as chairman, and Mr Mauloud Abdel Qader as deputy chairman. Mr Michael Marto, former deputy general manager, has been named general manager.

Last year Bank of Jordan bought the assets and operation in Jordan that Chase Manhattan of the US had held for nearly a decade.

Its balance sheet total at the end of last year was JD 126m ($330m).

L & G to spend £17m in Fairmount Trust purchase

BY NICK BUNKER, INSURANCE CORRESPONDENT

LEGAL & GENERAL, the UK's third biggest life assurance group, plans to spend about £17m to buy Fairmount Trust, a Surrey and Lancashire-based *stockbroking, banking* and financial services company.

L. and G. said Fairmount would operate as a separate group subsidiary. Mr Joe Palmer, L. and G.'s group chief executive, said that the purchase would be used as a core for further acquisitions in the financial services field.

"We believe that there is a growing demand *for* high-quality advice from an increasingly sophisticated financial servies market," he added.

The £17m estimated purchase price is subject to adjustment depending on achievement of profit targets. The price will be substantially paid for in new L & G shares. There will be an initial payment of £9m.

Mr Shephen Blaney, Fairmount's group managing director, said the company has a private client list of about 10,000 high net-worth individuals, of whom 60 per cent are in the South-east with the remainder from the Manchester, Blackburn and Oldham areas.

Fairmount has its head office in Weybridge, Surrey, and employs about 100 people. It started life in 1972 as a personal financial services vehicle for a Surrey firm of chartered accountants. It has also been a licensed deposit-taker since 1980, and then acquired two actuarial and pension fund advisory businesses in 1985. Last September, it bought Bell Houldsworth, the Manchester stockbroking firm.

Mr Blaney said that in 1987 Fairmount expected to take 35 per cent of its earnings from stockbroking; 20 per cent from banking; 15 per cent from pension fund and actuarial advisory services; 10 per cent from computer services; and 10 per cent from personal financial planning and insurance broking.

Mr Blaney said Fairmount had been aiming to expand and had considered a flotation on the Unlisted Securities Market.

"With the resources of Legal and General behind us we should be able to build a national network of intermediaries providing financial added services for our clients," he

Fairmount expects to remain an independent intermediary selling investment products from a wide range of financial services companies.

Goode Durrant rises and plans expansion

DESPITE continuing reorganisation Goode Durrant, the trade finance, banking and property group, wah able to lift its profits to £2.86m pre-tax over the 1985-1986 year.

That was an improvement of 28 per cent on the previous *year's £2.24m* and *some £160,000* higher than the estimate given by the directors last December along with further details of the bid approach from Impala Pacific Corporation.

Impala, an investment holding subsidiary of the Ariadne Australia group, now holds a little under 50.8 per cent of Goode Durrant's equity. Mr Judge, chairman of Ariadne, has been appointed to Goode Durrant's board.

Mr Michael Waring, newly-appointed chairman of Goode Durrant, said yesterday that the group's prospects for the current year were at pesent favourable. He added that aeas of expansion were actively being sought.

Earlier this week Goode Durrant announced that it had built up a 10.5 per cent stake in Perry Group, a Ford and GM main dealer.

During the past year (to October 31 1986) all major divisions of the group increased their performance. Turnover improved from £80.72m to £91.47m, but before exceptional items, profits were little changed at £2.77m (£2.7m).

An exceptional credit of £88,000 represented recoveries against the provision of £459,000 made in the previous year for losses on discontinued activities.

Overseas tax was reduced sharply and left the group's overall charge at £573,000, down from last year's £930,000.

Earnings worked through at 7p (3.6p) and the dividend is being lifted by 0.75p to 2.5p net per 5p share.

Redundancy payments and provisions for loss on the sale of overseas subsidiaries were taken below the line and treated as extraordinary items. They totalled £126,930 and compared with credits last year of £5m which stemmed mainly from profit on the sale of Kirkcaldie and Stains.

After such items profits for the year fell sharply from £5.46m to £953,000.

Farnell lifts Wayne Kerr stake to 10%

By Alice Rawsthorn

Wayne Kerr, the USM-quoted electronics manufacturer, watched its share price rise by 3p to 78p yesterday on the news that Farnell Electronics had increased its stake in the company from 6.26 to 10.01 per cent.

Farnell augmented its holding in Wayne Kerr by purchasing 390,000 ordinary shares yesterday. Wayne Kerr's share price has been buoyed in recent weeks on hopes that Farnell would mount a bid for the company.

Wayne Kerr, which joined the USM in 1985 in a heavily over-subscriged issue, has encountered problems in the *US since its flotation.* In the first half of 1986, group sales fell from £5.9m to £5.5m and pre-tax profits from £625,000 to £244,000. Yet the company fared well in both the UK and West German markets.

Greenall Whitley trades well in first quarter

THE COLD weather this year led to a slow down in beer sales and some cancellations on the hotel side, the annual meeting of Greenall Whitley was told yesterday.

Before then, the first September-December quarter of the current year produced a satisfactory trading perfomance on *the brewing side, reported* Mr Christopher Hatto the executive chairman. Hotels made a useful start with occupancy levels ahead in the UK.

He said the purchase of Davenports Brewery a year ago led to the reorganisation of the West Midlands operation and Shiptones trade in the East Midlands did well and gained market share strengthening of the take-home sales business.

But at Greenalls in Warrington, manning levels will be reduced because of the continual decline in beer sales. Negotiations were in progress with employees and their representatives.

The Grand Hotel at Brighton, reopened last August, fulfilled all expectations in the early months of the current year. In America, Treadway Inns was producing improved results, with the Lord Cromwell Hotel in Connecticut again fully operational.

Wines, spirits, soft drinks and leisure side also made a good start to the year.

Vaux to spend £50m on developments

Vaux Group, brewer, had traded well ahead in all areas in the current year despite the bad weather, Mr Paul Nicholson, chairman and chief executive, told the annual meeting. He said is was planned to spend £50m in the next two years on brewing and hotel developments.

He emphasised that the 5 per cent holding of Wolverhampton and Dudley Breweries was a trade investment.

Personal Computers rises

Deregulation in the City was having a beneficial effect on Personal Computers, a seller of personal computers and software to business users which came to the USM last July.

The directors report that sales for the half year ended November 30 1986 had surged from £252,000 to £415,000 and profit before tax from £24,000 to £400,000. An interim dividend of 1.2p net is declared.

Demand for all the company's services had remained strong, the directors said, and the opening of the new Dock St premises at the beginning of October had increased handling capacity by some 300 per cent.

Although the business personal computer market remained extremely competitive, the company remained in a strong position to take advantage of the market's continued growth.

Continuous Stationery in £1m purchase

By David Thomas

Continuous Stationery, a manufacturer of computer stationery and business forms, has agreed to acquire Carwin, a private company based in Essex which supplies business and computer stationery.

The initial price is £1m, to be met by the issue of 1,176,470 new Continuous ordinary shares, 15 per cent of the enlarged share capital.

A *further* £1.8m, also to be met by issuing shares, will be paid over the next three years if Carwin meets profit targets.

Continuous' shares closed 3p at 94p.

Carwin's owners, Mr Ed Carson, managing director, and Mr Dennis Winstanley, sales director, have warranted that pre-tax profits for the 13 months to the end of March will not be less than £300,000. Carwin's turnover for that period is expected to be about £1.5m.

Mr Carson and Mr Winstanley, who will be staying with Continuous, have agreed to retain 370,587 shares for at least a year. The rest will be placed by J. M. Finn & Co, stockbrokers for Continuous.

Mr Bill Eastwood, Continous chairman, said the board expected to propose a final net dividend of 1.5p per share for the year ending March 1987, compared with 0.45p last year, making a total for the year of 2p (0.9p). The company, which made losses last year, expects to be in profit.

The acquisition of Carwin is the third made since April, when new management took over Continous. Continuous will now be making some of Carwin's supplies in-house.

GIBBONS LYONS GROUP has entered into negotiations with a view to acquiring the National Printing Ink Company, a manufacturer and distrubutor of high quality lithographic printing inks and specialised screen inks.

Foreign holders in BAe approach 15% ceiling

BY RICHARD TOMKINS

British Aerospace yesterday put out a warning that foreign-held shares had reached 13.13 per cent of its total equity — a *figure approaching the 15 per* cent ceiling on foreign shareholdings laid down in the company's articles of association.

The ceiling was laid down at the time of BAe's privatisation six years ago to prevent loss of UK control over the company. Purchasers of shares beyond the 15 per cent level are denied their share certificates and are obliged to sell back into the market place.

The 15 per cent level was *nearly breached last year,* and since then BAe has been putting out monthly statements on the level of foreign shareholdings to prevent a recurrence.

Yesterday's figure represented an increase from 11.14 per cent at the beginning of December. No January figure was published.

Pacific Investment's plan for reconstruction

Pacific Investment Trust's reconstruction proposals, which involve a scheme of arrangement, will be implemented by shareholders and warrant holders exchanging their holdings in PIT for shares and warrants in Thornton Pacific Investment Fund SA, an open-ended company whose shares can be issued or redeemed at any time.

It is intended that shares and warrants of TPIF will be listed in London and Luxembourg.

PIT shareholders will receive one share of TPIF in exchange for five shares of PIT. TPIF shareholders will be able to subscribe or redeem shares ot a price per share close to net asset value, as well as being able to acquire or sell shares in the market.

PIT warrantholders will receive a TPIF warrant to subscribe one share of TPIF in exchange for warrants to subscribe five shares of PIT, and will receive in addition a payment of 10p in cash for each warrant to subscribe one share of PIT.

Since the last audited accounts were prepared at March 31 1986, net assets of PIT have increased from £59.4m to approximately £83.9m as at January 30 1987.

MID WYND INTERNATIONAL INVESTMENT TRUST: Interim dividend 1.2p (1p) for six months to December 31, 1986. Net aset value rose 7.8 per cent from 223.3 to a record 240.5 per share. Revenue should be substantially higher in the second half of the year, and directors anticipate an increased final dividend.

HAMBRO CURRENCY FUND: Net asset value as at December 30, 1986: managed class shares £12.82 (£11.27). Sterling denominated currency class shares £23.02 (£20.76).

NEWAGE ENGINEERS, Stamford-based electrical engineering subsidiary of Onan Corporation of the US, has purchased Markon Engineering from Dobson Park Industries for an un*disclosed sum.*

BOARD MEETINGS

TODAY

Interims:—Benson SBG.

FUTURE DATES

Interims:—

Abingworth	Feb 19

Finals:—

Bluebird Toys	Mar 10
Consolidated Co. Bultfontein Mines	Feb 10
First Scottish American Trust	Feb 26
Griqualand West Diamond Mining	Feb 10
Lancashire & London Inv. Tst.	Feb 24
Pacific Assets Trust	Feb 18

UK COMPANY NEWS

INDUSTRIAL MATERIALS GROUP LOOKS FOR GROWTH IN FAR EAST

Cookson makes £162m cash call

BY CLAY HARRIS

Cookson Group, a manufacturer of specialist industrial materials, is to raise £162.3m with a one-for-four rights issue. Cookson will use the proceeds to reduce its borrowings and to pursue its active acquisition policy.

The company plans to continue its rapid growth, which has been designed to establish Cookson as the first or second-ranking player in every sector in which it is involved. Cookson has spent £220m on acquisitions and nearly £100m on capital investment in the past five years.

Mr Michael Henderson, the group managing director, said yesterday that Cookson would be looking especially for acquisitions in the Far East, which accounted for only 10 per cent of turnover and profit in 1985. The company had, for example, no manufacturing operations in Japan.

The rights issue would give the company the "flexibility to respond quickly when attractive opportunities are identified," Cookson said.

City analysts agreed that the company was wise to take advantage of the recent strength of its share price, up by more than 20 per cent since December, rather than issue shares piecemeal for acquisitions.

Cookson changed its name from Lead Industries in 1982. It is a leading producer of the paint ingredient titanium dioxide (through its Tioxide joint venture with ICI), non-ferrous alloys and precious metals, specialist ceramics, antimony and zircon compounds used as flame retardants and glazes, and lithographic printing plates.

The company said yesterday that pre-tax profits would exceed £92m in 1986, up from £67.6m in the previous year. It planned to pay a final dividend of 6p (5.35p) to make a total of 8.75p (9.75p).

Cookson had borrowings of £247.4m at the end of December. The rights issue will reduce its gearing from 40 per cent to about 10 per cent, and analysts said yesterday that the issue itself would increase 1987 earnings per share by at least 2 per cent because of a lower UK tax charge.

The rights issue at 480p is underwritten by Lazard Brothers. Cookson shares fell 26p to 520p yesterday.

See Lex

GrandMet disposes of Queens Moat stake

By Martin Dickson

Grand Metropolitan, the brewing, food and leisure group, has sold its 8.51 per cent stake in Queens Moat Houses, the fast-expanding provincial hotels chain, for an estimated £15m to £16m.

The stake, which was placed by Warburg Securities, was acquired by GrandMet in 1982 in part payment for its £30m sale to Queens Moat of 26 provincial hotels. The stake is thought to have almost quadrupled in value since then. The 1982 deal took GrandMet out of the UK provincial hotels market and more than doubled the size of Queens Moat.

The shares are believed to have been placed at a price of 73p to 74p. Queens Moat closed unchanged last night at 75.25p, while GrandMet closed at 492p, up 4.5p.

Over the past few years GrandMet has been undertaking a major restructuring—disposing of peripheral interests and concentrating on core businesses in markets with strong growth. Last month it agreed to buy Heublein, the wines and spirits subsidiary of America's RJR Nabisco, for $1.2bn, a deal which took its gearing to more than 100 per cent.

Nottingham Brick recommends £40m offer from Marley

BY DAVID THOMAS

Marley, the construction materials group, has made a recommended offer worth £40.2m for Nottingham Brick.

Marley is offering two new ordinary shares plus 100p in cash for each Nottingham ordinary.

Wtih Marley closing 2½ down at 132½, this values the bid at 365p per share. Nottingham closed 2 down at 363p.

Shareholders may elect to receive a loan note alternative instead of the cash element on terms yet to be announced.

Full acceptance of the offer will involve the issue of up to 22.6m new Marley ordinary shares, which will represent approximately 8.2 per cent of the enlarged share capital of Marley.

Marley said its pre-tax profits for the year ended December 31 1986, to be announced at the end of March, are likely to be more than £33.1m. The directors are expecting to recommend a final dividend of 2.7p making 4.1p net for the year compared with 3.75p net for 1985.

Marley said that acquisition of Nottingham would help its strategy of concentrating on its core activity of making building materials. Marley does not make facing bricks in the UK, though it recently acquired General Shale, a large US facing brick manufacturer.

Nottingham, one of the UK's biggest remaining independent facing brick manufacturers, with an annual output of about 130m bricks, said it would enjoy substantial benefits from being an integral part of Marley's future strategy in the industry.

In December, when talks about a merger between Nottingham and Steetley, the Midlands construction group, were called off, Nottingham said its best interests were served by remaining independent.

Mr John Hall, Nottingham chairman, said yesterday the company had reviewed its strategy after the Steetley talks, and decided its best chances of expanding were as part of a larger group.

Marley has told Nottingham it will continue to enjoy substantial autonomy. Mr Hall is to join Marley's board as a non-executive director.

Guinness in disposal to Park Food

By Janice Warman

Park Food, the UK's largest packer and supplier of Christmas hampers, has agreed to acquire Guinness's frozen foods distribution subsidiary Everfresh for £1.85m in cash.

It is the first disposal authorised by Guinness's new board, headed by Sir Norman MacFarlane.

The acquisition represents a major step in Park Food's strategy of expanding activities in frozen food distribution, said Mr Peter Sherlock, chairman.

"Frozen food distribution is a growth area. We've been looking for a business with a large turnover to become the core of a temperature-controlled division."

The Everfresh acquisition would enhance the new division's buying power, giving it the opportunity to improve gross profit margins, he added.

"This is something we would like to build on; we would like to make it quite a large part of our business."

It intends the new division to have a distribution network stretching from south of Birmingham to the Scottish border.

Everfresh produced an operating profit of £196,000 on a turnover of about £9.8m for the year to March 31, 1986.

Park Food's share price closed 4p higher at 195p.

US link for Pict Petroleum

BY LUCY KELLAWAY

Pict Petroleum, one of the smallest of the remaining UK independent oil companies, yesterday ensured its survival by forming an association with Amerada Hess, the US oil company.

Amerada has agreed to inject £3.6m into Pict in return for a 42.4 per cent share in the company, and has also undertaken to secure financing for Pict's £15m share of development costs of the Ivanhoe and Rob Roy oil fields.

In addition, Pict announced yesterday a three-for-five rights issue at 36p to raise £1.83m, which added to the funds from Amerada, will provide finance for its exploration and development plans. The company hopes the new funds will tide it over until its oil interests start to generate cash flow.

Pict said yesterday that it had previously tried and failed to raise finance for its 3.75 per cent stake in the Ivanhoe and Rob Roy fields, and had decided against asset sales as being not in shareholders' interests.

The finance procured by Amerada will have no recourse to Pict, but will entitle Amerada to increase its shareholding to 48.5 per cent at a cost of £140,000.

Amerada, which operates the two fields, expects to bring them into production by 1989, following a £350m development programme.

In November last year Pict agreed with Elf UK to swap most of its offshore exploration acreage for a portfolio of onshore interests.

● comment

When a company increases its shares in issue nearly threefold, grants to an outsider almost half the equity, and when existing shareholders respond with joy, one must conclude either that something hidden in the package was irresistable or that the alternative was horrible indeed. For Pict the latter was the case. Pick simply could not pay for its stake in Ivanhoe and Rob Roy, and no-one would lend it any money. Amerada, no doubt motivated by the irritating prospect of being held back by a frail and limping partner, has saved the day. However, it has not done so out of the kindness of its heart, and has been generously rewarded by getting at a knock down price a big share of a little company with some interesting onshore and gas acreage. Failing another oil price collapse, Amerada is not likely to lose on a stake bought for 36p. Nevertheless, as far as Pict's squeezed shareholders are concerned, 39p yesterday must be better value than 35p was the day before.

Blade sells 42% stake in Marler

Blade Investments has sold its 42 per cent holding in Marler Estates, the property company which owns the Chelsea and Fulham football cuub grounds, to a number of investors.

Last night Marler's chairman, Mr David Bulstrode, said: "We have not been informed of the full detials, but we will be making an announcement tomorrow morning.

"The nature of the placing is obviously fundamental to the future of the company."

The 3.15m shares were sold at £8.20 each. Marler's shares closed down 5p at 770p.

Demerger Two controls 28% of L&N

By Clay Harris

Demerger Two now controls 28 per cent of shares in London & Northern Group, which it plans to break up and refloat as four separate companies.

It also said that its alternative cash offer of 81p would close on February 24. The cash terms will not become available unless the ordinary offer, a one-for-one share swap, is declared unconditional. If the £90m bid succeeds, each Demerger share will be converted into one share in each of the four new companies.

Demerger has added 8 per cent of shares since the first closing date a fortnight ago. L & N shares lost 3½p to 76p.

Aaronson 43% lower but recovery expected

Aaronson Bros, maker of chipboard and associated products, suffered a further fall in profits in the second half of its 1985-86 financial year. This meant full year pre-tax figures to September 30 were 43 per cent lower at £2.13m, against £3.74m previously.

However, with a sharp upturn in demand in the first quarter and much improved margins being obtained on its main products, the company expected its current year results to show a substantial improvement over those now reported.

Following a reorganisation, the group now operates four divisions, covering retail products, industrial, plastic and distribution. The company said yesterday that it expected to see considerable benefits come through from this reorganisation.

Reflecting the improved prospects, the final dividend is being maintained at 3p net for an unchanged total of 4.2p. Stated earnings per 10p share fell sharply from 9.5p to 4.07p.

Group turnover was 8 per cent higher at £88.55m, but operating profits declined from £4.58m to £3.37m, before investment income and interest receivable of £294,000 (£569,000) and interest payable of £1.53m (£1.51).

Tax took £613,000 (£628,000) and after extraordinary charges of £935,000 (£966,000) the attributable balance emerged well down at £563,000, compared with £2.14m.

In the retail products division the company said that, since the end of the financial year, trading conditions for chipboard-based products had improved considerably and with imports much reduced, this had enabled the group to obtain more realistic returns.

The performance during the first three months of the current year had shown a substantial improvement.

Competition from imported margins again affected margins in the industrial products division, but since the beginning of the current year demand had picked up substantially. Sales had shown a significant increase, and margins were rising to far more satisfactory levels, the company said.

In the plastics division the year under review saw growth in sales and profitability, and the division was expected to make an increasingly important contribution to the group's results in the current and future years.

On the distribution side, sales were now running at much improved levels, and the company said prospects looked very encouraging.

● comment

The extent to which Aaronson underperformed the expectations it had encouraged last year reflects the susceptibility of its traditional laminated chipboard activities to factors beyond its control—notably, adverse swings in exchange rates, which sucked in imports and prevented it from passing on higher costs in the form of price increases. In an effort to iron out the effects of such vagaries, the company is moving into less exchange rate sensitive and higher margin fittings at the fashion end of the market. The effects will be masked in the current year's results by the resurgence in profitability of the traditional lines, which will continue to dominate the business for sime time. The recent weakening of the pound should help produce about £4.25 for the full year, putting the shares, up 6p at 108.5p, on a prospective p/e multiple of 14.5, that looks a long-distance and somewhat hazardous punt on the beneficence of exchange rates in 1988 and the company's prospects in a fashion-led market.

Frank Gates reiterates bid rejection

By Clay Harris

Frank G. Gates, the London-based motor dealer, said yesterday that the 60 per cent of shares owned by the Gates family and directors were still committed to reject the £11.7m takeover bid from Giltrap Holdings.

Gates shares fell further below the 140p offer, osing 6p to 129p. The board maintains that the offer is worth less than 135p per share because accepting shareholders will not receive the 5.6p final dividend.

Giltrap, owned by a New Zealand car distributor, maintains that its terms offer Gates shareholders a sizeable increase in income. Giltrap speaks for nearly half of the independent shares, with 6 per cent acceptances to add to its own 12 per cent holding.

Multitrust stake

Multitrust, a recently formed investment trust, has acquired a stake of 75,000 shares (3½ per cent) in Third Mile Investment. The company said the acquisition was in accordance with its stated policy of investing principally in smaller UK companies.

UEI has sold a small subsidiary, Laser Applications, of Hull, to Coherent of California. LAL came into a small profit during 1986.

FLEMING AMERICAN Investment Trust: Net asset value at end 1986 was 660.2p (608.1p) per 25p share. Net revenue £1.11m (same) and earnings per share 6.51p (same). Final dividend 4.25p (3.75p) making 6.25p (5.75p) total.

HAMBRO CURRENCY DISTRIBUTOR FUND: Net asset value as at December 30, 1986 £10.01 (£10.08).

Aerospace Engineering ahead 33% halfway

INCREASED internal efficiency and higher margins from a better work mix enabled Aerospace Engineering to raise its pre-tax profit from £331,000 to £440,000 in the half year ended October 31, 1986, a rise of 33 per cent.

Turnover of the group, which is principally engaged in precision, general and fabrication engineering, fell from £6.36m to £5.83m; but costs of sales were cut to £4.58m (£5.28m) leaving the gross profit at £1.26m (£1.1m).

Mr S. H. Knott, chairman, said engineering markets had not experienced significant growth in the period, and the profit improvement was created by the efforts of employees during a difficult market period.

Cooper Merseyside gave a good performance, and its second half prospects looked promising with a potentially exciting future for the next financial year following the spate of orders recently taken by British Aerospace.

Reorganisations at VFP Fluid Power was completed and would result in an exceptional cost of £150,000.

The group's second half would benefit from the inclusion of Greywater, acquired in October.

Earnings for the first half came to 2.26p (1.76p) and the interim dividend is stepped up to 1.56p (adjusted 1.1p).

Steetley purchase

Steetley Quarry Products, a wholly owned subsidiary of Steetley, has acquired R. W. Potter (Boroughbridge) and a minority share holding in Ure Valley Aggregates for the consideration of £2m in cash.

This acquisition enhances Steetley's position in the construction materials markets in North Yorkshire for readymix concrete and sand and gravel.

In addition Steetley has entered into a long term sales agreement with Lightwater Quarries to market the total output from two limestone quarries in the same area.

Senior Engineering

Senior Engineering Group, through its wholly-owned subsidiary Senior Engineering (L.E.), has purchased the share capital of Precision Heat Treatment, together with freehold land and buildings occupied by that company, for about £654,000 cash.

Peek Holdings

The board of Peek Holdings has confirmed that it is actively pursuing its policy of seeking acquisitions and is currently in talks with a number of parties. These talks could result in an offer being made for another company in the near future. The statement followed recent movement in Peek's share price: 1986-87 high is 54½p; the low stands at 12p.

Union Discount

The figures given yesterday for Union Discount's profits increase from £1.13m to £10.78m were post-tax, not pre-tax as reported.

Jackson receives buy-out approach

Jacksons Bourne End, a polystyrene component manufacturer has received an approach to buy out its major shareholders. However, it said that no definitive proposals had been put forward.

Jacksons reported profits down from £435,000 to £105,000 in the year to end-March 1986, after heavy relocation costs, and interim profits to October 1986 down from £206,000 to £70,000.

The shareholders approached own about 71 per cent of the company's share capital.

Company directors were not available for comment yesterday.

Jacksons' shares closed up 26p on the day at 393p.

Caltech expands

Caltech Industries (UK), a DIY group headed by Mr Mervyn Fogel, one of the founders of Texas Homecare, has agreed terms to acquire Scottish-based DIY supplier Cleghorn Gibson.

Caltech, backed by CIN Industrial Investment, the venture capital arm of British Coal Pension Funds, will fund the £1.7m acquisition via the issue of shares and cash.

Mr Fogel said yesterday that the merger, the first stage of Caltech's planned expansion. made good commercial sense. He expected combined sales of £10m in 1988.

Caltech aims to become one of Britain's biggest DIY suppliers and is currently seeking suitable acquisitions. Mr Fogel said the company hoped to be ready for a full Stock Exchange listing in two to four years.

COMPANY NEWS IN BRIEF

ORIFLAME International's offer to acquire the share capital of the Goldsmiths Group not already owned by Oriflame had on February 4 been accepted by the holders of 10,174,867 Goldsmiths shares, representing approximately 75.6 per cent. Together with shares held prior to the offer, Oriflame now owns or has acceptances for a total of 12,213,814 Goldsmiths shares (81.7 per cent).

HARDANGER PROPERTIES is acquiring the share capital and four freehold properties from Broadley Brothers. The consideration is £1.25m in cash and 438,415 ordinary shares. The existing trading activities of Broadley, a ladies' and gentlemens' outfitter, and one freehold property will be retained by the vendors and taken out of the group prior to the completion of the acquisition.

STANDARD SECURITIES: The company has exchanged contracts for the sale of properties in Slough for £3.75m, receivable upon completion due on February 23. The properties have unexpired leases of 949 years and the net rent receivable is £290,000. The sales are part of the company's policy of selling mature investments when it believes that proceeds may be more beneficially used.

HODGSON HOLDINGS (USM-quoted funeral director) has acquired Doncaster-based J. Steadman & Sons for £305,000 cash. The purchase would provide some 375 additional funerals a year, the directors said, and would lift the number arranged on an annualised basis by 58 per cent since the June 1986 flotation. Steadman would make a significant contribution to profits, they stated.

MERGER CLEARANCE — The proposed acquisition by Compagnie des Machines Bull of a 42.5 per cent stake in Honeywell Information Systems, and by NEC Corporation of a 15 per cent stake in Honeywell is not being referred to the Monopolies Commission.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Aaronson Bros	3	April 6	3	4.2	4.2
Aerospace Eng ......int	1.56	April 3	1.1*	—	2.4*
Fleming American	4.25	April 15	3.75	6.25	5.75
Geode Durrant	2.5	Mar 24	1.75	2.5	1.75
Mid Wynd Int'l Inv Trust...int	1.20	April 6	1	—	2.4
Personal Computers int	1.2‡	Mar 28	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Legal Notice

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER

SHERMERE LIMITED

Registered No. 1841883

Name and address of Administrative Receiver: C. W. Nield FCA, Cork Gully, St James's House, Charlotte Street, Manchester M1 4DZ. Date of appointment: 28 January 1987. Name of appointor: Lloyds Bank Plc.

Dated this 2 day of February, 1987.
C. W. NIELD

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mgrs. (a)

Allied Dunbar Unit Trusts PLC (a)(g)

Anthony Wieler Unit Tst. Mgmt. Ltd

Archway Unit Tst. Mgs. Ltd(a)(c)

Arkwright Management

Ascot Unit Trust Mgrs Ltd

Atlanta Unit Managers Ltd

Baillie Gifford & Co Ltd

Baltic Trust Managers Ltd

Barclays Unicorn Ltd(a)(c)(g)

Baring Fund Managers Ltd

Barrington Mgmt Co Ltd (z)

Bell Court Fund Mngt PLC

Bishopsgate Progressive Mgmt. Co

Brewin Dolphin Unit Tst Mgrs Ltd

Bridge Fund Managers (a)(c)

Brown Shipley & Co Ltd (a)(g)

Brycourt Unit Trust Mgmt Ltd(a)(c)(g)

Buckmaster Management Co Ltd (a) (c)

CS Fund Managers Limited

Canada Life Unit Trust Mngrs. Ltd

Cannon Fund Managers Ltd (a)

Capel (James) Mngt. Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Invest. Fund

Chase Manhattan Fund Mngrs Ltd

Clerical Medical Unit Trust Managers Ltd

Commercial Union Trust Managers

Confederation Funds Mngt Ltd (a)

Cornhill Unit Trust Mngrs Ltd

County Unit Trust Managers

Crown Unit Trust Services Ltd

Crusader Unit Trust Managers Ltd

Dartington Unit Trust Mgmt. Ltd

Discretionary Unit Fund Managers

Drummond Fund Mangt Ltd

Dunedin Unit Tst Mngrs Ltd

EFM Unit Trust Managers Ltd

Eagle Star Unit Mngrs Ltd

Enterprise Fund Managers Ltd

Equitable Units Administration Ltd

Equity & Law Un. Tr. M. (a) (c)

F & C Unit Management

FS Investment Managers Ltd

Fidelity Investment Services Ltd

Framlington Group (a)

Friends Provident Unit Trusts

Funds in Court

G. & A. Trust (a) (g)

GT Unit Managers Ltd

Gartmore Fund Managers (a) (c) (g)

Global Asset Management

Govett (John) Unit Mngt. Ltd

Granville Unit Tst Mngmt Ltd

Gresham Unit Trust Managers

Grofund Managers Limited

Guardian Royal Ex. Unit Mgrs. Ltd (a)

Guinness Mahon Unit Trust Managers Ltd

Hambro Generali Fund Managers Ltd

Hambros Bank Unit Trust Managers Ltd (a) (g)

Henderson Administration (a) (b) (c)

Hexagon Services Ltd

Hill Samuel Unit Tst. Mgrs.

IBI Fund Managers Ltd

Key Fund Managers Ltd (a)(g)

LAS Unit Trust Managers Ltd

L & C Unit Trust Management Ltd

Laurentian Unit Tst Mngmt Ltd

Lawson Fund Managers Ltd

Lazard Brothers & Co Ltd

Legal & General (Unit Tst. Mngrs.) Ltd

Leonine Administration Ltd

Lloyds Bk. Unit Tst. Mngrs. Ltd (a)

Local Authorities' Mutual Invest. Tst.

London & Manchester (Tst Mgmt) Ltd

M & G Group (y)(c)(z)

MGM Unit Managers Ltd

MLA Unit Trust Mngemnt Ltd

ManuLife Management Ltd

Mayflower Management Co Ltd

Mercury Fund Managers Ltd

Midland Bank Group UT Mngrs. Ltd

MIM Britannia Unit Tst Mgrs Ltd (a)(c)(g)

Murray Johnstone UT Mgmt. (a)

NFU Mutual Unit Managers Ltd

NM Schroder Unit Trust Mngrs

National Provident Inv Mgrs Ltd

Norwich Unit Trust Managers

Octavian Unit Trust Mgrs Ltd

Oppenheimer Fund Mngt Ltd

Pearl Trust Managers Ltd (a)(g)

Pembroke Administration Ltd

Perpetual Unit Trust Mngmt. (a)

Prolific Unit Trust Managers Limited

Providence Capital Fd. Mgrs. Ltd

Provident Mutual Unit Trust Managers Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

Quilter Management Co Ltd

Reliance Unit Mgrs. Ltd

N.M. Rothschild Asset Management

Rowan Unit Trust Mngt. Ltd

Royal Bank of Canada Fds.

Royal Life Fd. Mgmt. Ltd

Royal London Unit Tst Mgrs Ltd

Royal Trust Can. Fd. Mgt. Ltd

Royal Trust Fund Mngt Ltd

SKG Management Limited

Save & Prosper Group

Scimitar Asset Management Ltd

Scottish Equitable Fund Mgrs. Ltd

Scottish Life Investments

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Scottish Widows' Fund Management

Sheffield Funds Mngmt Ltd

Smith & Williamson Unit Trust Mngrs

Standard Life Trust Mngmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mngt. Ltd

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co (y)

Triton Fd Mngrs. Ltd.

Tyndall Managers Ltd(a)(b)(c)

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mngmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

Wellington Fund Mngrs Ltd

WestAvon Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers Ltd

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

[illegible]

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co. Ltd

American Life Insurance Co UK

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

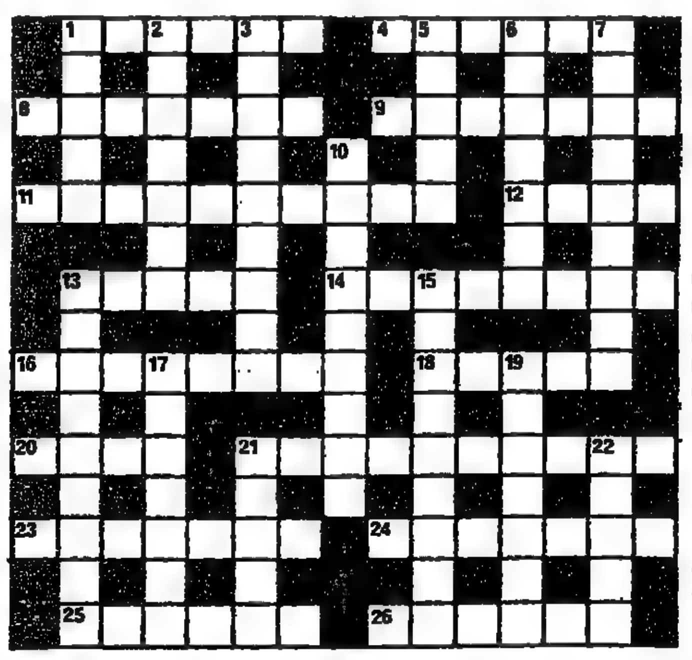
British National Life Assurance Co Ltd

Canada Life Group

[illegible]

FT CROSSWORD PUZZLE NO. 6,246

VIXEN



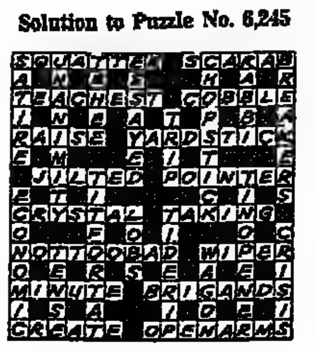
ACROSS

1 Shed the French will provide for a rook (6)
4 Coin once used as a special gift (6)
8 Awfully dim male—can present quite a problem! (7)
9 Diana's are apt to stretch (7)
11 Allowance obtained through an embassy (10)
12 A hold-up caused by the number-one man (4)
13 Polish backing is given to some degree here (5)
14 Scientist putting a note in a mug (8)
16 The occupant tries working without a study (8)
18 General carrying the sovereign's weapon (5)
20 Not all little troubles seem minor (4)
21 Vituperative women responsible for TT man's rage (10)
23 Take on at connected back exercises (7)
24 Forecaster—one having a meal about six (7)
25 Communist holding a sailor to make check (6)
26 The old soldiers inside corresponded (6)

DOWN

1 The Arab ruler caught up in wrongdoing (5)
2 Seen after midnight in neat sea-going craft (7)
3 A light covering (4-5)
5 Article about rest being inappropriate (5)
6 There's not now a brochure to bring out (7)
7 Brown is late possibly to be provoking (9)
10 Board a large number of church people (9)
13 The yeoman—no vegetarian, he! (9)
15 Giving a ring, rant wildly, telling the tale (9)
17 Soft-hearted six-footer making search (7)
19 Slight scrap in the queue (7)
21 Thin record, right? (5)
22 A step resulting in new trade (5)

Solution to Puzzle No. 6,245



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB — 01 902 8876

2nd Series Life Accumulation				
Equity	360.4	381.4	+0.6	
High Income	308.0	325.9	+0.5	
Property	217.1	229.7		
Managed	261.0	276.2	+0.9	—
Deposit	177.4	187.7		—
Gilt	180.9	191.4	+0.6	—
American	266.8	282.3	-3.7	—
International Money	200.4	212.1	-0.3	—
Index	109.8	116.2	+0.3	—
Far East	213.8	226.2	+0.1	—
Global	105.8	112.0	-0.8	—
European	107.3	113.5	-1.6	—
Japan	114.7	121.4	-2.2	—
Residential Property	96.9	102.5	....	—
2nd Series Pension Accumulation				
Equity	575.4	608.9	+1.0	—
High Income	367.2	388.6	+0.7	—
Property	305.2	323.0		—
Managed	378.3	400.3	+1.4	—
Deposit	264.1	279.5		
Gilt	255.3	270.2	+1.3	—
American	421.8	446.3	+6.8	—
International Money	288.5	305.3	-0.9	—
Index	120.8	127.8	+0.3	—
Far East	236.6	250.4	+0.1	—
Global	108.8	115.1	+0.9	—
European	110.7	117.2	-1.9	—
Japan	120.2	127.2	-0.3	—
Residential Property	97.8	103.5	----	—
Other Funds				
Equity Units		77.93	+0.13	—
Property Units		22.92		—
Equity Bond/Exec	47.95	50.74	+0.08	—
Property Bond/Exec	30.96	32.76	....	—
Balanced Bond/Exec	36.74	38.89	+0.12	—
L&E SIF 1	122.0	129.0	+0.5	—
L&E SIF 2	79.0	83.5	....	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

Ivory & Sime Bond	117.0	124.0	----	—
Risk & Reward Bond	150.0	158.0	—	—
Murray Johnstone Fd	135.0	143.0	-- --	—
Money Market Fd	110.0	116.0	—	—
Investment Strategy Fd	99.0	105.0	+1.0	—
Ivory & Sime Pens Fd	119.0	125.0	—	—
Risk & Reward Pens Fd	132.0	139.0	-- ---	—
Murray J'stone Pens Fd	133.0	140.0	---	—
Money Market Pens Fd	110.0	116.0		—
Inv Strategy Pens Fd	100.0	106.0	+1.0	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Saxon Gate West, Cent Milton Keynes MK9 2LA

Current Series				
Property Fund	116.0	122.2	....	—
Money Fund	229.6	241.7	+0.1	—
Managed Fund	438.2	461.3	+1.1	—
Equity Fund	284.2	299.2	+0.2	—
Fixed Interest Fund	149.7	157.6	+0.4	—
Far East Fund	239.6	252.3	+0.3	—
North American Fund	171.9	181.0	+1.6	—
Natural Resources Fund	162.7	171.3	+1.3	—
Pension Managed Fund	407.8	429.3	+0.3	—
Pension Equity Fund	271.3	285.6	+0.4	—
Adventurous Mngd Fd	151.9	159.9	+1.2	—
Balanced Mngd Fd	145.9	153.6	+0.9	—
Conservative Mngd Fd	144.2	151.8	+0.1	—
European Fund	122.9	129.3	+0.2	—
International Fund	142.0	149.5	+0.6	—
S.U.N. Flagship Fd	142.4	149.9	+1.6	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH — 0272 290566

Investment Funds				
Mixed	145.8	153.5	+0.6	—
Equity	168.6	177.5	+0.6	—
Property	113.3	119.3	....	—
Gilt & Fixed Interest	114.6	120.7	+0.4	—
Indexed Securities	100.8	106.2	+0.8	—
Cash	109.8	115.6	+0.1	—
North American	117.9	124.2	+0.6	—
Far East	142.7	150.3	+2.3	—
International	136.1	143.3	+0.6	—
Special Situations	161.8	170.4	+1.5	—
International Income	155.8	164.1	+1.0	—
American Income	125.0	131.6	+0.9	—
European	161.7	170.3	+0.9	—
Flexible Retirement Plan				
Mixed	150.8	158.8	+0.7	—
Equity	161.5	170.0	+0.8	—
Property	117.5	123.7	+0.1	—
Gilt & Fixed Interest	121.7	128.1	+0.7	—
Indexed Linked	103.4	108.9	+0.4	—
Cash	119.0	125.3	+0.1	—
North American	126.6	133.3	+0.9	—
Far East	166.7	175.5	+3.4	—
International	149.3	157.2	+0.7	—
Special Situations	188.6	198.6	+2.4	—
European	190.0	200.0	-1.8	—
Executive Investment Pension Plan				
Prices on January 23. Unit dealings on Wednesday.				
Cash Fd	144.3	151.9	...	—
Mixed Fd	208.2	219.2	----	—
Fixed Int. Fd	150.5	158.5	....	—
UK Equity Fd	250.9	264.3	....	—
Property Fd	139.0	146.3	+0.8	4.48
Overseas Fd	132.2	139.2	-2.0	2.16
Index Linked Fd	109.2	115.0	—	—
Small Ex. Fd	169.0	177.9	—	—
North Am Fd	126.7	133.5	....	—
Far East Fd	167.7	176.5	....	—
Special Sits Fd	130.8	137.7	+0.6	1.42
Europ. Fd	189.7	199.7	....	—

Initial prices available on request.
For other prices telephone 0272 290566

Clerical Medical Managed Funds Ltd
15 St James's Sq, London SW1Y 4LQ — 01-930 5474

Cash	179.0	179.0	...	—

Devonshire Life—Contd.

Money	100.6	106.0		
Pen Managed	133.0	140.1	+0.6	
Pen World Growth	103.5	109.0	+0.6	
Pen UK Equity	144.9	152.6	+0.3	
Pen UK Small Cos	135.7	143.0	-0.2	
Pen European	100.7	106.1	-1.6	
Pen Far Eastern	224.5	236.5	+2.1	—
Pen Nth American	96.4	101.6	+1.9	—
Pen Fixed Interest	110.3	116.2	+0.9	—
Pen Index Lnkd Stk	101.4	106.9	+0.5	—
Pen Money	105.4	111.1	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ — 0242 221311

Secure Fund	104.4	109.9		—
Blue Chip Fund	133.9	141.0	+0.8	—
Performance Fund	161.8	170.4	+0.7	—
Adventurous Fund	156.0	164.3	+0.1	—
Pensions Secure	95.7	100.8		—
Pensions Blue Chip	102.7	108.2	+0.7	—
Pensions Performance	104.2	109.7	+0.4	—
Pensions Adventurous	104.1	109.6	+0.1	—
Pensions With Profits	100.8	106.2	+0.7	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 — 01-588 1212

Eagle/Mid. Units	178.0	184.5	+0.8	3.99

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP — 01-606 6611

Far Eastern	181.9	191.5	(z)	—
Fd of Inv Tsts	150.1	158.0	(z)	—
Gilt & Fixed Int	116.0	122.1	(z)	—
High Income	166.0	174.7	(z)	—
Intnl Growth	113.1	119.1	(z)	—
Managed	136.3	143.5	(z)	—
Money	109.3	115.0	(z)	—
North American	125.5	132.1	(z)	—
Pelican	154.5	162.6	(z)	—
Property	108.8	114.5	(z)	—
Special Sits	160.6	169.1	(z)	—
School Fee Managed	149.7	157.6	(z)	—
Pension Funds				
Far Eastern	209.0	220.0	(z)	—
Fd. of Inv. Tsts	165.9	174.6	(z)	—
Gilt & Fixed Int	120.3	126.6	(z)	—
High Income	190.2	200.2	(z)	—
International Growth	117.4	123.6	(z)	—
Managed	149.7	157.6	(z)	—
Money	119.0	125.3	(z)	—
North American	131.6	138.5	(z)	—
Pelican	172.4	181.5	(z)	—
Property	109.1	114.8	(z)	—
Special Sit.	180.7	190.2	(z)	—

Equity & Law
Amersham Road, High Wycombe — 0494 33377

UK Equities Fund	478.2	503.3	+5.1	—
Higher Inc. Fund	463.3	487.6	+3.8	—
Property Fund	266.0	279.9		—
Fixed Interest Fund	236.8	249.2	+0.9	—
Index Lnkd Secs Fund	105.5	111.0	+0.2	—
Gtd. Deposit Fund	178.9	188.3		—
Nth. America Fund	259.5	273.1	+3.7	—
Far East Fund	296.6	312.2	-2.0	—
Europe Fund	222.5	234.2	-3.2	—
International Fund	303.1	319.0	+1.0	—
Mixed Fund	362.5	381.5	+1.6	—
Ind. Pen. Equity (z)	585.0	615.7	+1.9	—
Ind. Pen. High Inc (z)	135.3	142.4	+0.6	—
Ind. Pen. Fxd Int. (z)	262.6	276.4	+0.9	—
Ind. Pen. Idx Lk. Sc. (z)	127.0	133.6	+0.1	—
Ind. Pen. Property (z)	216.7	228.1	+0.3	—
Ind Pen N America (z)	110.6	116.4	+1.5	—
Ind Pen Far East (z)	163.5	172.1	+0.4	—
Ind Pen European (z)	124.8	131.3	--	—
Ind. Pen. Overseas (z)	531.6	559.5	+0.5	—
Ind. Pen. Balanced (z)	387.6	407.9	+0.4	—
Ind. Pen. Cash (z)	214.9	226.2	+0.4	—
Ind Pen DAF Ser 2(z)	119.9	126.2	+0.2	—
Ind Pen DAF Ser 1(z)	229.8	241.8	+0.5	—

FS Assurance Limited
190 West George St, Glasgow G2 2PA — 041-332 6462

Pens Balncd Gth Fd Cp	26.5	28.1	....	—
Pens Balncd Gth Fd Ac	26.9	28.5	....	—
Cash Deposit Cap	23.7	25.1	....	—
Cash Deposit Accum	23.8	25.3	....	—

Family Assurance Society
19 New Rd, Brighton BN1 1WS — 0273 724570

Family A. Managed	383.2	391.1	----	—
Family B. Managed	230.0	237.8	----	—
Family C. Bnt.	209.4	211.7	---	—
Family D. Fixed Int.	194.7	198.7	---	—
Family Capital Mngd.	217.3	221.7	...	—
Family Bnt. II	126.4	128.9	...	—
Family Growth Series 1	114.4	116.8	----	—
Family Growth Series 2	60.8	64.9	----	—
Fmly Concentrated Gth	60.1	63.8	----	—

Federation Mutual Insurance Ltd
Suffolk Hse, College Rd, Croydon — 01-686 5685

Pens. Inv. Tst. Init.	1.440	1.517	---	—
Pens. Inv. Tst. Acc.	1.625	1.707	----	—

Framlington Life Insurance Ltd
3 London Wall Buildings, EC2M 5NQ — 01-628 5181

Pensions Managed Fund	72.5	76.7	----	—
Pensions Cash Fund	61.4	64.6	----	—

Friends' Provident
Castle Street, Salisbury, Wilts SP1 3SH. — 0722 336242

Life Funds				
Managed (Mixed)	166.4	175.2	+1.0	—

INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks — Aylesbury (0296) 394000

Managed	419.9	442.0		—
Property	263.2	277.1		—
Fixed Int.	160.3	168.8		—
UK Equity	506.7	533.4		—
Int. Equity	342.4	360.5		—
Deposit	158.1	166.5		—
Managed Property	236.4	248.8		—
American Eagle	117.0	123.2		—
Technology	107.4	113.1		—
Worldwide Income	177.8	187.2		—
Pacific	181.0	190.6		—
Australian	92.7	97.6		—
Japan	294.8	310.4		—
Commodity	108.5	114.3		—
Gold	139.0	146.4		—
Financial	201.4	212.1		—
Income	243.3	256.2		—
Special Situation	228.1	240.2		—
Preference	138.7	146.1		—
Managed Currency	97.4	102.6		—
European Spec. Sit.	201.2	211.8		—
Sterling	10.3			—
Residential Property	99.1	104.4		—
Pension Funds				
Managed Pension	1261.2	1327.5		—
Gilt Pens.	351.8	370.4		—
Property Pens.	669.5	704.8		—
Equity Pens.	613.5	645.8		—
Index-L Plus	124.7	131.3		—
Gtee Pen.	260.5	274.1		—
Leicester Retirement	161.4	169.9		—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW — 0202 291111

Managed Fund	181.4	191.0	+1.0	—
Gilt & Fixed Int Fd	133.3	140.3	+0.4	—
Cash Fund	124.0	130.5	+0.1	—

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent — Medway 812348

LACOP Units	16.70	17.54		—

Trident Life Assurance Co Ltd
London Road, Gloucester — 0452 505500

Managed	321.9	338.9		—
Gtd. Mgd.	291.3	306.7		—
Property	325.9	343.1		—
American	271.0	285.4	+1.1	—
UK Equity Fund	355.5	374.4	+2.8	—
High Yield	427.0	449.6	+2.3	—
Gilt Edged	250.8	264.1	+0.1	—
Money	240.6	253.4		—
International	262.9	276.8	-1.6	—
Fiscal	283.2	298.2	+0.5	—

The Porchester Group
71 Wimpole Street, London W1M 7DE 01-493 9090
Porchester Managed Funds

Albany (1)	119.10	125.30	+0.10	—
Cornhill (1)	105.90	111.50	-0.50	—
Irish Life (2)	111.6	117.5		—
Royal Heritage (2)	102.4	107.8		—
Schroder (1)	99.10	104.30	-0.10	—
Skandia (1)	120.90	127.25	+0.10	—
Target (1)	122.10	128.60		—
Trident (1)	116.30	122.35	+0.30	—
Porchester Managed Pension Funds				
Albany (1)	130.80	137.50	+0.10	—
Schroder (1)	99.3	104.5		—
Skandia (1)	127.00	133.65	+0.10	—
Target (1)	112.40	118.40	-0.10	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
22 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Circ'ce Mrd.	118.6	124.7	+0.9	—
Pens. Man-Schroder	478.4	503.5	+1.8	—

Towry Law & Co
57 High St, Windsor, SL4 1LX — 0753 868244

Clerical & Medical	112.9	108.4	+0.5	—
Guardian Royal Exch	99.4	104.7	-0.7	—
M&G Ass (Life)	114.4	120.2	-0.7	—
M & G Ass (Pens)	131.9	138.6	-0.8	—
Nat'n of Unsd Ass Mgd	54.0	56.9		—
Royal Life	133.6	140.6		—
Scot Equitable (Life)	149.6	157.5		—
Scott Equitable (Pens)	101.5	106.8		—
Scot Mutual (Life)	154.8	163.0		—
Scot Mutual (Pens)	140.8	148.3		—
Vanbrugh Life Ass	120.2	126.6	+0.6	—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	190.2	200.3	+0.1	—
Target Mngd Pension	127.2	133.9		—
Albany Mngd Bond	166.1	174.8		—
Albany Mngd Pension	211.5	222.6		—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN — 0200 28066

Growth & Income (A/I)	171.1	180.2		—
Ultra Bond (Roy.Hi)	140.6	148.1		—
Flexible Managed (Nat)	140.5	147.9		—
Global Managed (Schr.)	129.6	136.4		—
Pension Fund (Roy.Hi)	117.8	124.0		—

OFFSHORE AND OVERSEAS

[illegible]

World Wide Growth Management
20a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.		$18.18	-0.08	—

Inv. Adv: M & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Meta Growth		$10.84	-0.08	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech		$18.55	-0.13	—
Dynamic Gwth Fd		$21.24	-0.14	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.47	13.17		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd — Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.45	7.83	11.46	3-mth
CAFCASH 7-day Fund	10.53	7.87	11.56	3-mth
The Charities Deposit Fund — 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.65	11.08		3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.60	7.92	11.41	6mth
7-day Fnd	10.59	7.92	11.43	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.60	7.93	11.39	6-Mth
7-Day Fund	10.63	7.95	11.40	6-Mth
Dollar	4.75	3.55	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.86	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
MoksInChq £1000-£5000	10.00	7.48	10.90	Mth
Min. Int. Chq. £5,000+	10.25	7.66	11.16	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-626 2046.				
High Int. Cheque Acc	11.00	8.22	12.09	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.66	11.16	Mth
Barclays Prime Account — PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.86	Qtr
Benchmark Trust Ltd — 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth
Brown Shipley & Co Ltd — Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	10.50	7.85	11.38	Qtr

[illegible]

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Agri-money plan stalls farm price package

BY TIM DICKSON IN BRUSSELS

TWO BIG issues appear to be holding up the European Commission's announcement of farm price proposals for the forthcoming marketing year. One is the complex but vitally important question of "agri monetary" reform; the other is the possibility of a new oils and fats tax to curb the spiralling costs of this politically sensitive regime.

Both subjects were aired at Wednesday's lengthy meeting of EEC Commissioners, which unexpectedly broke up without agreement on the eagerly awaited package. But while most of the time was devoted to the controversial ideas of Mr Frans Andriessen, the Agriculture Commissioner, for changing the system of "green" currencies and monetary compensatory amounts (MCAs), observers in Brussels feel that the oils and fats plan could yet prove the most sticky when the 17-man Commission resumes its discussions on Tuesday.

One thing at least is clear. EEC Farm Ministers, whose approval will require the most delicate negotiations, will not, as had been hoped, be able to take a first look at the package when they get together for their regular February meeting in Brussels on Monday.

The ideas so far put forward inside the Commission by Mr Andriessen are known to contain at least three controversial elements — the two that apparently divided the Commissioners on Wednesday plus the generally restrictive nature of the proposed new prices. These cover a wide range of different products — from milk and beef to sugar and wine — but some of the toughest ideas are aimed at the cereals sector. They include a price cut for some varieties and a reduction in the "buying in" period to cut the costs of so called "intervention" purchases.

Squeals of protest will doubtless be heard—particularly from the West Germans—when Ministers finally get their chance to discuss that part of the package. But by all accounts the Commissioners raised few serious objections on Wednesday to Mr Andriessen's proposals in this area.

The problem is that straightforward nominal prices cannot be separated from the system of "green" currencies and MCAs. The former are the notional exchange rates used to translate common EEC support prices into national currencies—through constant devaluation by the weaker currency countries they have been widely manipulated in the past to undermine the effect of superficial price restraint.

MCAs, meanwhile, are border taxes and subsidies theoretically designed to even out the effect of exchange rate differences, but which are often influenced in practice by blatant political concerns.

The trouble can be traced back to the days before 1984 when both new negative and positive MCAs were applied. Positive MCAs existed in strong currency countries (notably West Germany) and represented a subsidy for that country's exporters and a tax on imports. The French particularly, and others consistently complained about the competitive disadvantage of this arrangement for their traders but the Germans equally refused to accept the consequences of removing their positive MCAs. Under the rules of the system, this required a revaluation of their green currency and hence an effective price cut for their farmers.

A "solution" was found in 1984, namely by rebasing the Green Ecu on the strongest currency (in practice the D-mark) after realignments of EMS currencies. The effect of this was highly inflationary — no enforced price cuts for the Germans but much bigger negative MCAs (export levies and import subsidies) for the weaker currency countries. Hence much greater scope for green currency devaluations and hence price rises.

It is this system that Mr Andriessen is anxious to stop but what he is understood to be proposing is (for the moment at least) is a simple return to the pre-1984 system of positive and negative MCAs.

Another, even more divisive issue is Mr Andriessen's apparant unwillingness to phase out the remaining positive MCAs by this April, despite a clear commitment made by the Council of Ministers and enshrined in a regulation of 1984. The oils and fats plan—understood to be a tax of Ecu 330 per tonne levied on crushers, not producers—has been added to Mr Andriessen's package relatively late in the day for fear of upsetting US feelings during the crucial negotiations on lost grain sales to the Community. The purpose of the measure is to raise money to pay for the spiralling costs of supporting the sector—due to move into a still higher orbit when Spain and Portugal fully join the regime in the early 1990s.

Surinam aluminium closure 'indefinite'

By Canute James in Kingston, Jamaica

THE SURINAM Aluminium Company has closed all its plants indefinitely and has said it will reopen them only after it had received assurances of secure working conditions. The shutdown of the industry followed attacks by anti-Government rebels on lines carrying power from a hydro-electric station to the company's 60,000-tonnes-per-year smelter. The company's bauxite refinery, which has a rated capacity of 1.4m tonnes, was closed, following damage to its computers during a demonstration by displaced workers, the company said.

It said purchases of its metal would be supplied from other sources. The shutdown of the industry will severely harm the weak economy of the former Dutch colony of 350,000 people in Northern South America. The industry provides about 80 per cent of the country's foreign earnings, and 40 per cent of the Government's revenues.

The closure of the smelter and the refinery followed the shutdown in November of the company's mines at the town of Moengo. The town was evacuated after an attack by the rebels. The closure of the plants has left 2,300 workers without jobs. About 550 miners were suspended last month when the Surinamese Army failed to reopen the mines at Moengo. The Surinam Aluminium Company had earlier started importing bauxite ore from the Dominican Republic from stockpiles left when the Aluminum Company of America operated mines in the Caribbean country. Suralco is a wholly-owned subsidiary of Alcoa.

Discipline and a loud voice . . . the local's stock in trade

BY DAVID OWEN IN CHICAGO

LAST MONTH'S decisions by the London Commodity Exchange and the international petroleum exchange, to admit locals (individuals trading on their own account) marks another step in the internationalisation of this independent and intrinsically risky profession.

The expansion is occuring at a time when many believe that the days of the "open outcry" trading environment in which locals thrive may be numbered because of the drift towards screen dealing in stock exchanges (though not yet futures exchanges) worldwide.

In truth, London is not entirely new territory for this once all-American breed. They are already well-established at the thriving London International Financial Futures Exchange, having been a feature of the markets there since September 1982.

Locals are also now entrenched in Pacific zone exchanges in Sydney and Singapore. More exchanges may be expected to welcome them as the globalisation of the futures industry itself proceeds apace.

But London, Sydney and all the other contenders have a long way to go before they begin to rival the US, particularly Chicago, as the local's natural stamping ground.

Locals have long been an integral part of the huge Chicago markets. Between 2,500 and 3,000 of them are currently thought to be operating there, accounting in some pits for up to 50 per cent of trades.

Their presence is claimed to benefit the markets by augmenting trading volume and liquidity, effectively smoothing potential price dislocations and, ideally, enabling other participants such as trade hedgers to change their exposure at will.

As out-and-out speculators, locals are entirely reliant on price movement to generate the profits which they need to eke out a living. The basic techniques which they use to do this have changed little over the years.

"Scalpers" and "spreaders" are the best-known local sub-categories. A scalper relies on his experience to sense and increase in buying or selling pressures before it fully develops and trades accordingly. His interest is essentially short-term. A spreader is an arbitrager who hopes to profit by cashing in on abnormal price discrepancies between different contract delivery months or different, but related, commodities.

Longer-term players, who take a view of the general direction of a market and reap their reward anything from a day to several years later are known as "day traders" or "position traders."

But the local fraternity contributes far more than mere liquidity to the futures business in "Windy City." The inimitable raucous bustling atmosphere of the two huge Chicago exchanges is largely their legacy.

By any measure, they are an eclectic bunch. These days, most are college graduates. But philosophy not economics appears to be the commonest degree subject. And tales of taxi drivers made good are not entirely apocryphal.

Physical size and strength are as important as a quick mind in the largest pits. So is a loud voice. "Lots of them lift weights," says Mr Alan Mitchell, a 17-year veteran of the quieter livestock markets, rather disapprovingly.

This tends to discriminate against women. Nonetheless, a few have established themselves. "Perhaps 10 per cent of traders are women," says Ms Holly Hanselman, who works for an arbitrage firm in the Chicago Mercantile Exchange's currency futures complex. "Being smaller and soft spoken is a definite disadvantage," she adds.

The ever greater physical demands of the profession are also turning its increasingly into a youngster's domain. Over the past seven-eight years, as financial futures have grown into the largest industry sector overhauling traditional commodities, the average age of locals has dropped five-ten years to around 30, according to Mr Bill Grant, an experienced Chicago Board of Trade maize and T-bond trader. "There are still active members in their 70s and 80s though," he adds.

One quality which must agree that all good locals should possess is discipline. "There is no floor in futures if you lack discipline," says Mr Alan Bush, an A. G. Edwards and Sons analyst. Discipline, others add, is what enables you to cut your losses early when the market turns against you.

"He who fights and runs away lives to fight another day," intones Mr Mitchell sonorously. It is a maxim which anyone thinking of staking £10,000 on one of the first LCE local memberships would be well-advised to bear in mind.

Brazil finds more deep water oil

By Ann Charters in Sao Paulo

PETROBRAS, Brazil's state-owned oil company, has announced a "promising" discovery of another oilfield offshore from the state of Rio de Janeiro, which could contain from 300m to 400m barrels. The real extent of the find at drilling site No 1-RJS-359 in 1,250 metres of water is expected to be determined after an additional two drillings scheduled to be completed within three months.

The site is located just 14 kilometres from another deep-water oil field, Marlim, with proven reserves of 2bn barrels. These sites, together with nearby Albacora, with 800m barrels of reserves also in the Campos basin, await technology for deep-water production.

According to a Petrobras spokesman, the world's deepest oil well in production is operated by Petrobras in 411 metres of water. Located in the Campos basin, production at this well, Campo de Marimba, began last month with 5,000 barrels a day. The well has a potential production of 7,000 barrels a day.

Average production for Petrobras in 1986 was 593,400 barrels a day.

Brazil's proven reserves, as of end 1986, were 2.35bn barrels, up from 2.19bn in 1985. These reserves do not include deep-water finds, which are not commercially viable under current technology.

The American grain trade dilemma

BY NANCY DUNNE IN WASHINGTON

DESPITE THE recent worldwide surge in agriculture productivity, global farm trade is expected to grow moderately in the coming years, provided there is sufficient credit available for the poor countries and a reasonable recovery in the indebted nations.

Unless there is some truce in the export subsidies battle, however, the increased trade may prove to be an expensive luxury to the EEC, the US and the other grain producing nations trying to keep up with them.

The US Department of Agriculture (USDA) recently concluded that expanding incomes, declining inflation, lower interest rates and world population growth of about 80m a year could double the growth of foreign demand from the slow rates of the early 1980s and increase world farm trade by 3 to 4 per cent a year.

The USDA is worried, however, that the US may fail to capture its fair share of the growth because of stiff competition, particularly from the EEC.

As the world's largest grain exporter, the US needs to win most of the extra trade if it is to maintain its market share and sell enough to compensate for the plunge in grain prices.

In its recent long-term outlook report, Wharton Econometric Forecasting projected that world feed grain imports would grow at an annual rate of 4.1 per cent. But the US can only regain its lost market share by capturing more than 80 per cent of the total growth during the next decade.

World wheat imports are to grow at an annual rate of 3.6 per cent, and the US must gain more than 60 per cent of the total to gain ground.

With competition becoming ever stiffer, US farm groups have renewed their lobbying efforts to get the Administration or Congress to expand the Export Enhancement Program (EEP), which subsidises exports through the sales of surplus stocks. Since 1985 the programme has given away more than $650m in bonus crops. Most of the subsidies have gone to North Africa and the Middle East, but millions of dollars worth have also been offered in the Eastern Bloc, where the EEC has a strong position and the US feels justified in offering subsidies.

Recently the US offered 1m tonnes of wheat to China 500,000 tonnes of wheat to Poland, 200,000 tonnes of barley and sorghum to Poland and 250,000 tonnes of wheat to Romania. One Washington analyst says that at current prices, the subsidy costs for these offers alone could amount $68.3m.

So far, the Administration has been loath to give subsidies to any of the Asian Rim countries, which can well afford to pay full price. But the USDA has been eyeing EEC activities in Asia and may well give way to the argument that "traditional American customers" ought to be entitled to bonuses.

According to an EEC specialist at the USDA, the Community budgeted 8.47bn Ecus ($9.6bn) for export restitution payments last year and probably spent more. While the refunds cannot be directly compared with the EEP, because they are subsidising the high internal community price, the $1bn the US expects to spend on its crop bonuses through 1988 looks skimpy if the US is to maintain its competitive position.

Like the EEC, the agriculture department is feeling the pinch of budgetary pressures. However, the Americans have found a cheap way to pay their subsidies—through a vast array of surpluses, which would otherwise probably just rot in storage. And if the flow of EEP supplies becomes a deluge on the market, which is already awash with grain, then the pressure for reform of the CAP will become greater than ever.

THE LONDON-BASED International Wheat Council has raised its estimate for world 1986-87 grain production, already at a record level, by 16m tonnes.

In its December market report the IWC put total wheat and coarse grain output for the current season at 1,361m tonnes, compared with 1,352m for 1985/86. Its new report, published yesterday, puts the figure at 1,376m tonnes, with the estimate for wheat raised by 13m to 533m tonnes and for coarse grains by 2m to 843m tonnes.

The projected trading level for wheat has been lifted by 3m tonnes to 86m, while that for coarse grains has been cut by 1m tonnes to 85m.

LONDON MARKETS

NEWS THAT Australia's Broken Hill Associated Smelters is to shut its Port Pirie smelter for five weeks around the end of March sparked off a bout of nervous-covering on the London Metal Exchange lead market yesterday. The cash price ended the day £14.50 higher at £314 a tonne, taking the rise on the week so far to £20.75 a tonne. The company has assured customers that their needs can be met from stocks but there were fears on the LME that this might deplete supplies in the exchange's own registered warehouses. The Port Pirie announcement also re-focused attention on the Broken Hill mines work practices dispute ahead of the publication of industrial court findings next Sunday. Fears about near term supplies were reflected in the establishment of a £5.25 cash premium over three months metal. Although zinc is also mined at Broken Hill and smelted at Port Pirie the decision is not expected to have much impact on that market. Nevertheless the zinc price moved up in sympathy with copper yesterday and the cash position ended £7 higher at £486.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	802-3	+0.8	811.5
3 months	809-9.5	+0.5	818/808.5

Official closing (am): Cash 810-10.5 (798.5-9), three months 817-7.5 (806-6.5), settlement 810.5 (799). Final Kerb close: 811-2. Turnover: 11,450 tonnes.

INDICES

REUTERS

Feb. 5	Feb. 4	M'th ago	Year ago
1611.4	1609.7	1621.4	1854.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Feb. 5	Feb. 4	M'th ago	Year ago
Spot	115.45	115.48	—	128.81
Fut	117.50	117.12	—	126.40

(Base: December 31 1931=100)

COCOA

Futures traded unchanged throughout the morning and early part of the afternoon but rallied strongly on the final call to end the day on the highs. Consumers were again showing interest in the forward positions but producers continued withdrawn, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business done
March	1321-1322	+4.0	1325-1318
May	1353-1354	+6.0	1354-1344
July	1385-1386	+8.0	1385-1374
Sept	1409-1410	+5.0	1410-1400
Dec	1431-1432	+2.0	1435-1428
March	1457-1460	+1.0	1460-1455
May	1477-1483	+2.5	1478-1475

Sales: 2,449 (2,092) lots of 10 tonnes.
ICCO indicator prices (SDRs per tonne). Daily price for February 5: 1,538.56 (1,527.90); five-day average for February 6: 1,526.84 (1,531.97).

COFFEE

During another disappointing day the market was unable to break its recent trading range, reports Drexel Burnham Lambert. Trade selling appeared as levels rallied and extinguished any hope of an upside break. As the market drifted lower price fixing prevented any major sell off.

COFFEE	Yesterday close	+ or −	Business Done
Mar	1578-1580	−5.5	1610-1565
May	1592-1595	−6.0	1625-1584
July	1607-1610	−14.0	1645-1605
Sept	1630-1640	−7.5	1669-1630
Nov	1665-1678	−5.0	1699-1665
Jan	1695-1706	—	1725-1700
Mar	1700-1730	−5.0	—

Sales: 3,082 (2,848) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for February 4: Comp. daily 1979 117.78 (117.89); 15-day average 117.78 (117.86).

POTATOES

After the previous day's gains the market opened 30p easier with profit-taking in nervous trade. In thin volume and assisted by a weaker Holland market, London slipped further with nervous stop-loss selling before closing at the low of the day, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Feb	109.90	110.00	—
Apr	156.50	159.30	159.70-156.50
May	182.30	185.50	185.50-182.25
Nov.	89.00	89.50	88.00
Feb.	97.50	98.00	—

Sales: 804 (1,511) lots of 40 tonnes.

FREIGHT FUTURES

Futures were easier against a weaker physical market in quiet conditions, reports Clarkson Wolff.

Dry Cargo	Close	High/Low	Prev.
April	754/758	757/755	758
July	645/647	647/645	645/647
Oct.	742/745	742/740	742/743
Jan.	745	755/754	750/758
Apr.	790/800	798	795
July	670	—	820/810
Oct.	760	—	760
Jan.	825	—	840/845
BFI.	655.5	—	656

Turnover: 118 (117).

SOYABEAN MEAL

Another weak session saw continued commercial selling pushing values near their contract lows. An indifferent cash market and a stronger dollar were quoted as being the negative factors, reports Muirpace.

	Y'sterd'ys close £ per tonne	+ or −	Business done
Feb	138.8-138.8	+1.45	—
April	127.0-127.8	−0.30	—
June	119.5-119.5	−0.25	119.5
August	114.5-114.8	−0.15	115.0
October	118.2-118.5	−0.65	118.7-118.5
Dec	118.8-119.0	−0.45	119.3-118.8
Feb	120.5-121.5	−0.75	122.0

Sales: 123 (229) lots of 20 tonnes.

GRAINS

After a quiet start old crop wheat firmed sharply again on shipper buying touching new contract highs on all positions before easing on short-term profit-taking. Old crop barley steadied on news of renewed Soviet interest in the UK market. New crops were generally easier on speculative selling, reports T. G. Roddick.

US MARKETS

EARLY PRESSURE in the metal futures reflecting dollar strength was reversed towards the end of the session as rumours abounded on the situation in the Middle East, reports Drexel Burnham Lambert. Commission house buying and short-covering quickly reversed earlier selling by locals in the gold, silver and platinum futures. In crude oil futures, good trade buying and speculative short-covering steadied prices as the market undertook a reaction to recent weakness. Sugar futures steadied on trade buying in the face of price fix selling in a market which featured choppy trading. The grain futures featured general erosion as speculative and local selling eased, especially in wheat and soyabeans, in the face of commercial buying. The dollar strength and lack of export activity were cited as reasons for the weakness. The meats closed at or around limit down as reaction to the live cattle inventory report induced speculative long liquidation in cattle, hog and pork belly futures. Although not exceptionally bearish, the report was interested as such following recent steadiness in the meats.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
Feb	54.30	54.00	—	—
March	54.35	54.10	54.50	54.15
May	54.35	54.00	54.50	54.25
July	54.36	53.80	—	—
Sept	54.35	53.90	54.35	54.20
March	54.70	54.60	—	—
May	54.80	54.70	—	—

OIL

In active trading March Brent regained most of the ground it lost on Wednesday to close at around $18. March WTI opened 12c up and climbed all morning to trade 32c up at 1.30 pm EST. In the petroleum products market fuel oil rebounded strongly after recent price falls. Gas oil rose in line with futures but naphtha and gasoline fell on lack of prompt buyers—Petroleum Argus, London.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or −	Business Done
Feb	91.00	—	—
Mar	92.00	+1.00	92.00-91.00
Apr	90.00	—	—

Turnover: 14 (2) lots of 100 tonnes.

Write-down of EEC farm stocks urged

THE European Community needs to write down the value of its intervention stocks by between 7bn and 8bn Ecus, Mr Henning Christophersen, EEC Commissioner for the Budget and Financial Control said yesterday.

The stocks mainly comprise dairy products, cereals and meat. The commisioner told the Agra Europe Outlook conference these should be revalued at market rates and highlighted the highly artificial book value of five-year-old butter stocks.

EEC officials said if fully-written-down, intervention stocks would be valued at only 2bn Ecus. Mr Christophersen's estimate was based on a market value of 4bn to 5bn Ecus.

Intervention stocks are owned by member states, but the commission pays the costs of storage and repays member states once stocks are disposed of.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up on short covering

THE DOLLAR improved in currency markets yesterday as traders continued to take heart from last week's better than expected US economic data. Shortcovering also increased briefly during the morning following rumours, later denied by the White House, that US troops had landed in Lebanon.

Sentiment was boosted by hopes of a G-5 meeting of finance ministers to discuss dollar stability. The market was also becoming more aware of the widening interest rate differential operating in the US favour. There were strong rumours that Japan was about to cut its discount rate to 2½ per cent from 3 per cent.

The dollar closed at DM1.8400 up from DM1.8150 and Y153.65 compared with Y152.75. Elsewhere it rose to SFr1.55 from SFr1.5320 and FFr6.1325 from FFr6.0550. On Bank of England figures, the dollar's exchange rate index rose from 103.5 to 104.2.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. January average 1.5071. Exchange rate index rose to 68.8 from 68.6 at the opening and 68.5 on Wednesday night. The six months ago figure was 71.8.

Sterling remained on the sidelines but benefited from the dollar's firmer trend so that although lower against the dollar, it was firmer against European currencies. It closed at DM2.7875 up from DM2.7625 and FFr9.29 compared with FFr9.22. Against the Swiss franc it rose to SFr2.3475 from SFr2.3325 and was also a little firmer against the yen at Y232.75 from Y232.50. Against the dollar it finished at $1.5150 from $1.5225.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. January average 1.8568. Exchange rate index 148.0 against 138.3 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM1.8343, up from DM1.8123 on Wednesday. Early trading had pushed the dollar firmer as rumours of a landing in Lebanon by US troops increased dollar demand. The rumour was later denied by a White House official.

The D-Mark may have been depressed by unemployment figures for West Germany which showed a sharp rise to 10 per cent, from 8.9 per cent the previous month. In addition there were signs that the Bundesbank was pursuing a more relaxed monetary policy despite recent moves to reduce rediscount quota for banks and to increase minimum reserve requirements. There was no change in policies or interest rates after yesterday's meeting of the Bundesbank central council.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. January average 154.62. Exchange rate index 209.9 against 217.7 six months ago.

Growing speculation that the Bank of Japan would soon cut its discount rate to 2½ per cent from 3 per cent tended to depress the yen in Tokyo. The dollar closed at Y152.90 up from Y152.40. Once again *however the dollar was con*fined to a fairly narrow range since traders were reluctant to push it too much firmer in view of the bearish undertone still accompanying the US unit. In addition there was a good deal of uncertainty ahead of what many dealers saw as an inevitable meeting of G5 or G7 ministers.

In Lagos the Nigerian naira continued to lose ground against the US dollar. The latter was fixed at 3.9215 to the naira at yesterday's weekly auction compared with 3.8719 the week before. This represented a depreciation this year of 16 per cent by the naira. The effective rate for transactions during the coming week, including a 0.5 per cent levy imposed by the central bank was 3.9412 against 3.8914 previously.

In Lusaka commercial banks suspended foreign exchange dealings awaiting clarification of an earlier decision by the central bank to abandon the fixing of the kwacha as a means of establishing its value. At the same time the authorities announced a 65 per cent devaluation in the kwacha's value.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.6743	+0.51	+0.51	±1.5344
Danish Krone	7.85212	7.79495	−0.73	−0.73	±1.6404
German D-Mark	2.05853	2.06276	+0.21	+0.21	±1.0981
French Franc	6.90403	6.87793	−0.38	−0.38	±1.3674
Dutch Guilder	2.31943	2.32702	+0.33	+0.33	±1.5012
Irish Punt	0.768411	0.774441	+0.78	+0.78	±1.6684
Italian Lira	1483.58	1467.46	−1.09	−1.09	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb 5	Latest	Previous Close
£ Spot	1.5190-1.5200	1.5220-1.5230
1 month	0.60-0.57 pm	0.56-0.55 pm
3 months	1.78-1.74 pm	1.72-1.69 pm
12 months	6.20-6.10 pm	6.14-6.04 pm

Forward premiums and discounts apply to the U.S. dollar.

FINANCIAL FUTURES

Gilts and bonds firm

LONG TERM gilt futures and US Treasury bonds finished very firm, near the day's highs, on the London *International Financial Futures* Exchange yesterday. Long term gilts for March delivery opened on a strong note at 115-29, and rose to a high of 116-08 shortly before the close. The contract finished at 116-05, compared with 115-20 on Wednesday. Volume was good at over 24,000, with traders commenting that there was a good balance between market bulls and those who were looking for a level of 116-00 as an opportunity to sell. The 116-00 level is regarded as an important psychological level, corresponding with a cash yield of 10 per cent. The market's success at holding on to Wednesday's gains; the strength of the US bond market; and sterling's continued improvement against the D-Mark underpinned sentiment.

Three-month sterling deposit futures also performed well, with March delivery closing just below the day's peak, at 89.37, against the previous settlement of 89.27. Dealers suggested that the short sterling market is optimistic of a cut in UK interest rates around the time of the March budget.

March US Treasury bond futures opened unchanged at 99-11, and after touching a high of 100-04, closed at 100-02, boosted by growing confidence ahead of last night's 29¾-year bond auction by the US Treasury. Estimates of Japanese demand at the auction rose from 15 per cent to a possible 45 per cent, although many dealers regarded this as very optimistic. The optimism was fuelled by rumours of Japanese Eurodollar borrowings to fund bond purchases.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	10.10	10.24	0.00	0.08
108	8.10	8.35	0.00	0.19
110	6.10	6.49	0.00	0.33
112	4.13	5.12	0.03	0.60
114	2.21	3.50	0.11	1.34
116	0.59	2.44	0.49	2.25
118	0.17	1.51	2.07	3.35
120	0.04	1.10	3.58	4.58

Estimated volume total, Calls 1,652 Puts 454
Previous day's open int. Calls 17,273 Puts 10,190

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	10.04	9.24	0.00	0.09
92	8.04	7.35	0.00	0.19
94	6.06	5.54	0.02	0.38
96	4.05	4.22	0.01	1.06
98	2.18	3.04	0.14	1.52
100	0.54	1.62	0.50	2.46
102	0.14	1.20	2.10	4.04
104	0.03	0.50	3.63	5.34

Estimated volume total, Calls 8 Puts 34
Previous day's open int. Calls 1,114 Puts 588

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Feb	Calls—Last Mar	Puts—Last Feb	Puts—Last Mar
17250	16.25	15.44	0.20	0.19
17500	13.77	14.10	0.22	0.35
17750	11.32	11.86	0.37	0.61
18000	8.95	9.77	0.19	1.02
18250	6.72	7.60	0.47	1.61
18500	4.74	5.92	0.79	2.15
18750	3.11	4.50	1.26	3.35
19000	1.95	3.35	3.20	4.60

Estimated volume total, Calls 20 Puts 70
Previous day's open int. Calls 281 Puts 197

TOTAL VOLUME IN CONTRACTS: For 5/2/87 33,460

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%
ABN Bank	11
Adam & Company	11
Allied Arab Bk Ltd	11
Allied Dunbar & Co	11
Allied Irish Bank	11
American Exp. Bk	11
Amro Bank	11
Henry Ansbacher	11
ANZ Banking Group	11
Associates Cap Corp	11
Authority & Co Ltd	11½
Banco de Bilbao	11
Bank Hapoalim	11
Bank Leumi (UK)	11
Bank Credit & Comm	11
Bank of Cyprus	11
Bank of Ireland	11
Bank of India	11
Bank of Scotland	11
Banque Belge Ltd	11
Barclays Bank	11
Benchmark Tst Ltd	11
Beneficial Trust Ltd	12
Berliner Bank AG	11
Brit. Bk. of Mid. East	11
● Brown Shipley	11
CL Bank Nederland	11
Canada Permanent	11
Cayzer Ltd	11
Cedar Holdings	12
● Charterhouse Bank	11
Citibank NA	11
Citibank Savings	¶12.45
City Merchants Bank	11
Clydesdale Bank	11
Comm. Bk. N. East	11
Consolidated Cred	11
Co-operative Bank	*11
Cyprus Popular Bk	11
Duncan Lawrie	11
E. T. Trust	12
Equator'l Tst C'p plc	11
Exeter Trust Ltd	11½
Financial & Gen. Sec	11
First Nat. Fin. Corp	11½
First Nat. Sec. Ltd	11½
● Robert Fleming & Co	11
Robert Fraser & Ptrs	12
Grindlays Bank	‡11
● Guinness Mahon	11
HFC Trust & Savings	11
● Hambro Bank	11
Heritable & Gen. Tst	11
● Hill Samuel	§11
C. Hoare & Co	11
Hongkong & Shangh'	11
Lloyds Bank	11
Mase Westpac Ltd	11
Meghraj & Sons Ltd	11
Midland Bank	11
● Morgan Grenfell	11
Mm Credit Corp Ltd	11
Nat Bk. of Kuwait	11
National Girobank	11
Nat Westminster	11
Northern Bank Ltd	11
Norwich Gen. Trust	11
PK Finans. Intl (UK)	11½
Provincial Trust Ltd	12
R. Raphael & Sons	11
Roxburghe G'rantee	11½
Royal Bk of Scotland	11
Royal Trust Bank	11
Standard Chartered	11
Trustee Savings Bk	11
UDT Mortgage Exp	¶12.25
United Bk of Kuwait	11
United Mizrahi Bank	11
Westpac B'nking Corp	11
Whiteaway Laidlaw	11½
Yorkshire Bank	11

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%, 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. § Mortgage base rate. ¶ Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

Softer tone in London

INTEREST RATES had a slightly softer tone on the London money market yesterday. Three-month interbank eased to 11-10⅞ per cent from 11$\frac{1}{16}$-10⅞ per cent, and longer term bills rates also declined. There were no new factors, with North Sea oil prices a little firmer and sterling continuing to improve against Continental currencies.

The Bank of England forecast a money market shortage of £700m and provided total help on the day of £582m.

UK clearing bank base lending rate 11 per cent since October 15

Before lunch the authorities bought £343m bills outright, by way of £303m bank bills in band 2 at 10⅞ per cent; £24m bank bills in band 3 at 10¾ per cent; and £16m bank bills in band 4 at 10⅞ per cent.

In the afternoon the Bank of England purchased another £169m bills outright, through £17m bank bills in band 1 at 10⅞ per cent; £149m bank bills in band 2 at 10⅞ per cent; and £3m bank bills in band 3 at 10¾ per cent.

Late assistance of around £70m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £512m, with Exchequer transactions absorbing £65m; a rise in the note circulation £40m; and bank balances below target another £80m.

The average mid-market rate for one-week money applicable to temporary facilities rolled over by the authorities was 11$\frac{1}{16}$ per cent.

In Frankfurt the Bundesbank council left credit policies unchanged at yesterday's meeting. The discount rate remains at 3 per cent and the Lombard rate at 5 per cent. Call money was steady at 3.80 per cent, and dealers do not expect the central bank to add liquidity to the banking system next week through a securities repurchase tender. No existing pact is due to expire.

In Paris the Bank of France left its money market intervention rate at 8 per cent when it injected funds against first category paper. The central bank has also sold FFr 9.80bn of tap stock, in an issue of two fixed rate tranches and one variable rate tranche. Earlier this week the Treasury said the amount of stock sold at the tender would vary between FFr 8bn and FFr 12bn, depending on market conditions.

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100[illegible]	97[illegible]	Treas 10¼pcCv '87	100[illegible]		—	—
99[illegible]	92[illegible]	Exch 2½pc 1987	99[illegible]		—	—
101[illegible]	97½	Exch 10½pc 1987	99[illegible]		10.51	10.99
100[illegible]	93[illegible]	Funding 6½pc 85-87	99[illegible]		6.55	9.78
101[illegible]	96[illegible]	Treas 10pc 1987	99[illegible]		10.03	10.43
97[illegible]	90[illegible]	Treas 3pc 1987	97[illegible]	+[illegible]	3.07	8.09
104½	99½	Treas. 12pc 1987	102[illegible]		11.87	10.37
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	98[illegible]	+[illegible]	7.89	9.68
104	96[illegible]	Exch 10½pc '88	100[illegible]	+[illegible]	10.47	10.27
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	99[illegible]	+[illegible]	9.82	10.28
94[illegible]	86[illegible]	Transport 3pc '78-88	93[illegible]	+[illegible]	3.20	7.75
102[illegible]	93[illegible]	Treas. 9½pc '88	98[illegible]	+[illegible]	9.62	10.30
107[illegible]	98[illegible]	Treas 11½pc 1989	102[illegible]	+[illegible]	11.25	10.25
103[illegible]	93[illegible]	Treas 9½pc Cnv 1989	98[illegible]	+[illegible]	9.65	10.27
92[illegible]	82[illegible]	Treas 3pc 1989	90[illegible]	+[illegible]	3.33	7.86
105[illegible]	95[illegible]	Treas 10½pc 1989	100[illegible]	+[illegible]	10.45	10.25
104[illegible]	94[illegible]	Exch 10pc 1989	99[illegible]	+[illegible]	10.05	10.25
107[illegible]	97	Exch 11pc 1989	101[illegible]	+[illegible]	10.82	10.26
93[illegible]	84½	Treas 5pc 1986-89	90[illegible]	–[illegible]	5.52	9.01
110[illegible]	94[illegible]	Exch 10¼pcCv '89	101[illegible]	+[illegible]	10.08	9.54
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	107[illegible]	+[illegible]	12.15	10.16
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	102[illegible]	+[illegible]	10.77	10.15
113[illegible]	101[illegible]	Exch. 12½pc 1990	105[illegible]	+[illegible]	11.80	10.23
89[illegible]	79[illegible]	Treas. 3pc 1990	85[illegible]	+¼	3.49	7.99
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	95[illegible]		8.62	9.75
106[illegible]	93	Treas. 10pcCv 1990	99[illegible]	+[illegible]	10.06	10.19
86[illegible]	76½	Exch 2½pc 1990	82[illegible]	+¼	3.03	7.86
112[illegible]	99[illegible]	Treas 11¾pc 1991	104[illegible]	+[illegible]	11.21	10.21
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	88[illegible]	—	6.50	9.15
86[illegible]	79[illegible]	Treas. 3pc 1991	81[illegible]	+[illegible]	3.66	8.08
101[illegible]	95[illegible]	Treas 10pc Cv '91	102[illegible]	+[illegible]	9.87	9.63
110[illegible]	96[illegible]	Exch. 11pc 1991	102[illegible]	+[illegible]	10.68	10.17

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
118	113	Allied Ins. Brokers	118	+1	L3.5	2.5	4.2	13.7
54	36	Catalyst Comm. 5p	48	+2	—	—	—	—
55	10	‡Egl'ton Oil I£0.05	50	+1	—	—	—	—
31	8	Do. Warrants	31	+2	—	—	—	—
55	47	Theme Holdings	51	−1	—	—	—	—
193	118	Unit Group	118	−3	R4.6	2.5	5.5	(8.5)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- [illegible] USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- [illegible] Same interim; reduced final and/or reduced earnings indicated.
- [illegible] Forecast dividend; cover on earnings updated by latest interim statement.
- [illegible] Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- [illegible] Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- [illegible] No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	70	.....	Fin. 13% 97/02	£99⅝	.....
Craig & Rose £1	£14½	.....	Arnotts	345	−10
Finlay Pkg. 5p	58	−1	CPI Hldgs	60	.....
Holt (Jos) 25p	655	+5	Carroll Inds.	160	.....
IoM Stm. £1	78	.....	Dublin Gas	10xd	.....
			Hall (R. & H.)	95	.....
IRISH			Heiton Hldgs.	29	−1
Fund 11¼% 1968	£97½	.....	Irish Ropes	165	+5
Nat. 9¾% 84/89	£92½	.....	Unidare	365	.....

Oil stocks again lead Equities higher as long Gilt yields close below 10 per cent

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2
Feb 23	Mar 5	Mar 6	Mar 16

* New time dealings may take place from 9.00 am two business days earlier.

Good demand for oil shares again led the London equity market to new heights yesterday. Government bonds also extended their gains, and yields dipped below 10 per cent at the longer end. Rumours of US military action in the Middle East, originating in the foreign exchange markets, made little impression in the City.

Wall Street's overnight surge brought a firm start for London's equity sector. While there was still some caution over the oil deal with Saudi by four major US oil companies, oil shares continued to forge ahead as Kleinwort Grieveson predicted that crude could rise to $25 a barrel.

Firmness in the US dollar brought gains in insurance issues. Banks staged a recovery from the weakness of the previous session, and the strength of UK consumer spending continued to bring in buyers for store shares.

The stock market moved up throughout the day, receiving a final fillip from a firm start on Wall Street. The FT-SE 100 index closed a net 19.4 up at a new peak of 1866.1, with the FT ordinary index 13.4 up at 1486.2, also a new all-time high. The FT ordinary index, having broader indices during January, has now jumped by nearly 100 points over the past fortnight.

The chemicals sector took in its stride a £162m rights issue announcement from **Cookson**. **Imperial Chemical Industries**, considerably less active than on Wednesday, closed easier after an early gain brought out the profit-takers. **Glaxo**, on the other hand, turned higher as traders struggled to buy stock in a thin market.

Gilt-edged had another successful session, although gains of ¼ to ½ at the longer end reflected trader, rather than genuine investment interest.

The absence of an official tap stock continues to support prices at the long end. A new tap is a possibility today but by no means certain in view of the lack of pressure on the Treasury to seek new funds at present.

Trade in Gilts was comfortably two-way, and longer dated issues settled down with yields comfortably below the 10 per cent mark, which has been a barrier in recent weeks.

Standard Chartered regained composure and rallied 15 to 753p following the announcement that the bank had asked the Bank of England to appoint inspectors to investigate loans made to supporters of its defence against the unsuccessful bid from Lloyds Bank. **Hill Samuel**, meanwhile, cheapened 6 more for a two-day decline of 60 at 454p on further consideration of the greater powers to be given to the Bank of England to control acquisitions of large stakes in UK banks; FAI Insurances and NZI hold shareholdings of 14 and 4.5 per cent respectively in the merchant bank. **Kleinwort Benson** reacted 7 afresh to 605p in sympathy. **Wintrust**, however, jumped 20 more to 340p after comment on the impressive half-year figures.

Composites strong

A Wood Mackenzie "buy" circular ahead of the forthcoming dividend season induced strong support for Composite Insurances. **Royals**, scheduled to report preliminary figures on February 26, closed 33 higher at 928p following a turnover of nearly 3m shares. **GRE** advanced 34 to 848p and **General Accident** gained 21 to 899p, while **Sun Alliance** appreciated 21 at 716p. **Commercial Union**, additionally helped by a Greenwell Montagu recommendation, rose 11 to 317½p: the annual results are due on March 4. Elsewhere, **Legal and General** improved 3½ to 274½p after the group unveiled plans to set up a nationwide network of independent financial services firms starting with the acquisition yesterday of Surrey and Lancashire-based Fairmount Trust.

Institutional buyers continued to focus on **Bass**, up 17 at 838p, and **Whitbread "A"** also made headway to 289p, but other Brewery leaders could only hover either side of their overnight positions. Takeover speculation in **Vaux** faded after the annual meeting yesterday and the shares closed 15 lower at 559p; the board is regarding the **Wolverhampton and Dudley** 5 per cent stake as a trade investment and rejects suggestions of a bid. **Belhaven** attracted renewed support, gaining 4 to 73p, while **Matthew Clark** moved up 6 more to 481p. *Distillers* showed no response to news that scotch whisky exports last year were the highest since 1982. **Guinness** stayed at 289p.

News that **Blue Circle** had accepted an increased offer of $5.75 per share for its holding in Blue Circle Southern Cement stimulated fresh interest in **BCI** which closed 10 higher at 705p; the shares have been a relatively quiet market of late since potential bidders Adelaide Steamship of Australia reduced its holding in the company from 9.57 per cent to 8.95 per cent. **Rugby Portland Cement** made further progress to close 3 higher at 203½p. **Redland** were a good market at 472p, up 7 and **Tarmac** firmed 4 afresh to 493p. Support persisted for **George Wimpey**, up 3½ more at 231p, and **Taylor Woodrew**, another 5 higher at 355p. **Alfred McAlpine**, still reflecting a broker's recommendation, rose 10 to 485p and **John Mowlem** gained 6 to 389p reflecting further US buying interest. Elsewhere, **Nottingham Brick** settled 2 cheaper at 363p following details of the agreed offer from **Marley**. The latter, 2¼ off at 132½p prior to the news, were trading late at 136p. **Bellway** moved up 13 to 192p and **Appledore** 15 to 234p on property development potential.

FINANCIAL TIMES STOCK INDICES

	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Jan. 30	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.80	85.61	85.31	85.35	85.31	81.75	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.51	92.34	92.29	91.93	91.90	87.26	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,486.2	1,472.8	1,458.5	1,463.9	1,441.0	1,171.7	1,486.2 (5/2/87)	1,094.3 (14/1/86)	1,486.2 (5/2/87)	49.4 (26/6/40)
Gold Mines	311.9	311.5	309.7	313.5	321.8	327.8	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.79	3.83	3.88	3.87	3.95	4.41				
Earnings Yld.%(full)	8.90	8.98	9.10	9.04	9.25	10.74				
P/E Ratio (net) (*)	13.76	13.64	13.47	13.55	13.26	11.59				
SEAQ Bargains (5 pm)	38,400	37,696	38,730	40,150	34,168	—				
Equity Turnover (£m)	—	1,368.19	1,270.31	1,484.45	1,344.33	664.51				
Equity Bargains	—	46,024	48,837	50,710	43,671	23,705				
Shares Traded (ml)	—	512.2	497.6	598.8	546.3	265.0				

S.E. ACTIVITY

Indices	Feb. 4	Feb. 3
Gilt Edged Bargains	135.0	122.3
Equity Bargains	298.2	316.4
Equity Value	2765.5	2567.6
5-Day Average		
Gilt Edged Bargains	123.6	121.9
Equity Bargains	306.0	309.6
Equity Value	2851.3	2898.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1481.3	1475.7	1480.3	1480.0	1482.5	1483.5	1483.5	1481.7

Day's High 1486.2. Day's Low 1475.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.26.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

ICI continued to attract buyers in the wake of a broker's profits upgrading and touched £16¹⁄₁₆ before easing back to close at £13⅞. Among other Chemicals, **Laporte** revived with a gain of 10 at 470p, while **Hickson International** rose 18½ to 500p. **Thurgar Bardex** were the subject of "new time" buying interest and put on 8½ to 85p.

Stores wanted

Investors continued to pay heed to a recent Wood Mackenzie circular and hopes of tax cuts in next month's Budget and supported leading retailers aggressively. **Dixons** added 14 more to 345p on continuing talk that the group would soon place its 8.5m shares in Woolworth in order to raise cash for a major US acquisition; **Woolworth** closed 7 dearer at 742p. **Next**, recently the subject of a Messel recommendation, jumped 15 to 272p and **Storehouse** firmed 19 at 314p. An improvement of 3½ in **Sears** at 129p followed a turnover of 12m shares and was accompanied by revived takeover rumous. **Gussies "A"** rose 30 to 1180p and **Marks and Spencer** hardened a couple of pence to 200p, but **Burton** moved against the trend, closing 3 down at 269p, after 264p, following a Press suggestion that the DTI have started at tentative investigation into share dealings during the company's takeover of Debenhams. **Harris Queensway**, which were involved in the Burton/Debenhams bid situation at some stage, softened a couple of pence to 193p in sympathy. Elsewhere, **Charlie Browns Car Part Centres** improved a few pence to 213p in response to a County Securities' recommendation.

Plessey provided a dull contrast among the Electrical leaders, falling 6 to 205p; just recently brokers Phillips and Drew downgraded profits ahead of the interim figures which are scheduled for late this month. **British Telecom** hardened a couple of pence more to 238p on hopes of an end to the engineers' strike and **GEC** improved a few pence to 204p in response to Press comment. Elsewhere, a good business was transacted in **Amstrad**—well over 6m shares changed hands and the close was a couple of pence higher at 159p, after 161p, following Press comment and a broker's "buy" circular. **Wayne Kerr** firmed a few pence to 78p on the announcement that **Farnell** had increased its stake in the company to over 10 per cent and renewed speculative support lifted **Sound Diffusion** 4 to 62½. **Domino Printing Sciences**, still drawing strength from the bumper annual results, gained 22 more at 412p.

Victor Products came under further selling pressure following comments on the interim figures and fell away to close 7 down at 86p for a two-day loss of 27. Elsewhere in the Engineering sector, **Aerospace** contrasted with a gain of 9 at 80p in response to the good half-year figures. Bright spots included **Simon**, 8 dearer at 315p, and **Woodhouse and Rixson**, 6 better at 80p. Leading issues made progress, with **Hawker** improving 7 to 531p and **Vickers** 3 dearer at 468p.

ASDA-MFI were a particularly active market (some 10m shares changed hands), and unchanged at 149p, after 151p. **Tesco** and **Kwik Save** attracted buyers, the former rising 8 to 434p and the latter 3 more to 265p. Outside the Retailing sector, **Northern Foods** gained 10 to 291p and **Fitch Lovell** put on 10 to 274p, the latter following a broker's recommendation. **Somportex** hardened a couple of pence to 225p following Press comment, while **Hughes Food** gained 4 to 42½p on speculation that the company is about to announce a small acquisition.

Grand Metropolitan firmed 4½ to 492p as the company placed its 8.5 per cent stake in Queens Moat Houses through Warburg Securities. **Ladbroke** continued to attract buyers ahead of the annual results due on March 12 and firmed 9 more to 424p. Profit-taking clipped 4 from recent favourite **Friendly Hotels** at 183p.

Cookson react

News of the proposed £182.3m net rights issue unsettled **Cookson** which fell away to close 26 down on the day at 520p. Elsewhere in the miscellaneous industrial sector, **Jackson Bourne End** featured strongly at 393p, up 26, on the announcement that major shareholders have been approached by third parties who have expressed an interest in buying their shares. **English China Clays**, still in anticipation of an ADR listing, encountered persistent demand and advanced 14 to 389p, while **Pentland** moved up 13 to 555p in the wake of the purchase of a 25 per cent stake in the Gallini Group. Stake-building rumours left **Beatson Clarke** 19 to the good at 240p. **Aaronson** closed 6 higher at 108½p, lower annual profits being outweighed by a forecast of a substantial improvement in the current year. A rise of 6½ to 59½p, in **Peek** prompted a statement from the group that it is actively pursuing its policy of seeking acquisitions and is having discussions with a number of parties which may result in an offer being made for another company in the near future. **F. H. Tomkins**, the recent subject of a buy recommendation from Chase Manhattan Securities, were supported and put on 16 to 330p. Among the leaders, **Beecham** were good at 499p, up 10, while **BOC** continued firmly ahead of next Tuesday's first quarter figures and put on 9 to 442p. **Trafalgar House** advanced 10 to 310p helped by Russian contract hopes. **Reckitt and Colman** met with occasional support at 975p, up 18, while buyers were still showing interest in **Pilkington** which rose 6 more to 700p.

Rover shares had one of their infrequent better days, rising 4 to 42p on the chairman's optimism about an export-led recovery this year; he also expressed hope of a decision on the future of Leyland Trucks within 60 days and said that the discussions with Daf Trucks and Paccar were continuing. **ERF** eased 3 to 60p but **Lucas Industries** displayed fresh firmness at 565p, up 10, while **Lex Service** rebounded 5 to 345p.

Speculation that **East Midland Allied Press** could be interested in **Trade Promotion Services** sent shares higher. The latter spurted 13 more to 231p while **EMAP "A"** picked up 4 to 170p. **International Thompson** were raised 13 to 662p but light profit-taking brought **Octopus** back 12 to 628p. Recent speculative high-fliers **Delyn Packaging**, 243p, and **Ault and Wiborg**, 101p, rebounded 10 and 8 respectively, but **Crown TV Products** eased to 80p on news that **Calpe Holdings** had disposed of its 7.6 per cent stake, but Advertising Agencies were better, where changed. **Saatchi and Saatchi** rose 13 to 842p and **Charles Barker** improved 4 further to 135p.

Marler Estates featured Properties, touching 810p before closing 10 down at 765p on the announcement that Blade Investments had placed its 42 per cent holding in the company with a number of insitutional investors at 820p per share; the Marler share price has risen sharply this week amid persistent takeover rumours. Elsewhere, **Egerton Trust** gained 8 to 117p following news of new boardroom appointments, while **Phoenix Property and Finance** rose 9 to 133p ahead of next Tuesday's annual results. **Cardiff Property** moved up 20 to 340p and **Asda Property** 10 to 360p in restricted markets, while **Hardanger** firmed 5 to 455p following acquisition news. **Centrovincial Estates** put on 13 to 216p and **Great Portland Estates** firmed 4 to 209p.

Hoare Govett's "buy" circular generated further enthusiasm for **P.&O.** and although turnover was smaller than on Wednesday the price surpassed its previous peak of 582p to close 10 higher at 589p.

Press speculation of a bid worth 120p per share from an unnamed Australian concern lifted **John Foster** further and the price rose to 100p before ending a net 9 up at 98p. **Dura Mill** rebounded 6 to 101p, while quality stocks were led higher by **Courtaulds**, finally 4 dearer at 393p, after 395p, and **Tootal**, which advanced 3½ more to a 1986-87 high of 126p.

Investment Trusts drew inquiries from a larger number of investors and several scored useful rises. **Scottish National** were popular at 364p, up 8, while **Second Market**, 203p, and **Kleinwort Smaller Co's**, 370p, gained 5 apiece. **Keystone** rose 6 to 337p but the session's best performer was **Mid Wynd** which jumped 8 to 228p following higher half-year profits and an increased interim dividend payment.

The Aramco deal with the Saudis and suggestions that crude oil prices could soon top $20 a barrel gave fresh impetus to the Oil majors and prices closed on a very firm note. **British Petroleum** gained 15½ to 797½, a two-day rise of 32½, while **Shell** moved up ¼ to £11⅜. **Britoil** were 3 dearer at 196p and **Enterprise** 1½ higher at 196p. Elsewhere, **Conroy** attracted fresh support and put on 13 to 96p, while **Pict Petroleum** firmed 4 to 39p following details of proposals for an association with Amerada Hess of the US whereby the latter will invest £3.6m cash into Pict to develop its existing interests in return for a 42.4 per cent holding in Pict. AH will also provide approximately £15m finance for Pict's share of the development of the Ivanhoe and Rob Roy oil fields.

Despite a fall in the London bullion price of $5½ to $399¼ an ounce—the firmness in the dollar outweighing any benefits of the tensions in the Middle East—gold shares held firm in London. Turnover was modest, and traders remained very cautious regarding the outlook for gold shares in a period of currency uncertainty.

Traded Options

Business in Traded Options yesterday was fairly evenly distributed. Total number of contracts completed amounted to 38,883 with 28,702 calls and 10,181 puts done. **Hanson Trust** recorded 2,491 calls and **Commercial Union** 2,310, while 2,194 were arranged in **Boots**.

Traditional Options

- **First dealings** Feb 2 Feb 16 Mar 2
- **Last dealings** Feb 13 Feb 27 Mar 13
- **Last declaration** May 7 May 28 June 11
- **For Settlement** May 18 June 8 June 22

For rate indications see end of Unit Trust Service

Stocks favoured for the call included **Amstrad, Dares Estates, Boustead, Eglinton, Hampton Trust, Abaco, Commercial Union, Conroy Petroleum, Hambro Countrywide, Willaire Systems, Times Veneer, Bestwood, Wellcome, Sound Diffusion, London Provincial Shop Centres, Hawley, Border TV, British Benzol, Guinness Peat, United Leasing, London Securities, Tricentrol, Parkfield, Combined Technology, Woodhouse and Rixson, A. Fisher, Squirrel Horn, Rotaprint, TSB** and **Hughes Food**. No puts or double options were reported.

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (206)

AMERICANS (15), CANADIANS (9), BANKS (2), BUILDINGS (19), CHEMICALS (8), STORES (7), ELECTRICALS (11), ENGINEERING (7), FOODS (6), HOTELS (1), INDUSTRIALS (27), INSURANCE (2), LEISURE (4), MOTORS (1), NEWSPAPERS (2), PAPER (6), PROPERTY (9), SHIPPING (3), TEXTILES (2), TRUSTS (51), OILS (5), MINES (8), THIRD MARKET (1).

NEW LOWS (7)

STORES (1) Elec. Spec. Prod., ELECRICALS (1) Densitron Intl., ENGINEERING (1) Victor Prods., FOODS (1) Sims Catering, INSURANCE (1) Enda UK 9pc Cv., LEISURE (1) Media Tech. Int., THIRD MARKET (1) Unit Group.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	10,000	149	—	Ladbroke	1,700	424	+9
Allied Lyons	2,900	344	—	Land Securities	1,000	344	—
Amstrad	6,400	159	+2	Legal & Gen.	1,100	274½	+3½
Assoc. Brit. Foods	333	331	—	Lloyds Bank	700	475	—
BAT	5,800	498	+2	Lonrho	731	248½	+2
BET	853	502	+1	Marks & Spncr	13,000	202	+4
BOC	1,600	442	+9	Midland Bank	2,200	593	+1
BPB Inds	253	608	+9	NatWest Bank	1,300	593	+8
BTR	1,900	292	+2	Pearson	209	557	−5
Barclays	2,700	539	+3	P & O	1,700	589	+10
Bass	1,100	838	+17	Pilkington Bros	1,900	700	+6
Beecham	2,000	499	+10	Plessey	6,500	205	−6
Blue Circle	1,500	705	+10	Prudential	645	858	+14
Boots	5,000	277	+4	Racal	2,350	224	+0½
Brit. Aero	762	585	−4	Rank Org.	1,100	622	+6
Brit. Gas	30,400	70½	+1¼	RHM	1,300	319½	−1
Britoil	4,290	196	+3	Reckitt & Col	427	975	+18
BP	2,750	797½	+15½	Redland	408	472	+7
Brit. Telecom	5,300	238	+2	Reed Intl.	455	382	+2
Burton	11,950	269	−3	Reuters	73	597	+1
Cable & Wire	2,200	364	−1	RTZ	757	768	−3
Cadbury Schweps	1,100	226	+1	Rowntree Mac	1,000	466	+5
Coats Viyella	532	543	+4	Royal Insurance	3,000	928	+33
Comm. Union	7,400	317½	+11	STC	2,000	202	−2
Cons. Gold	1,100	741	+18	Saatchi & Saatchi	378	842	+13
Cookson	4,100	520	−26	Sainsbury	766	441	+2
Courtaulds	1,900	391	+4	Scott & Newcastle	1,600	213	+1
Dee Corp	3,700	229	+2	Sears	15,000	129½	+3½
Dixons Grp	6,400	345	+14	Sedgwick	899	311	+3
Fisons	227	595	−2	Shell Trans	5,600	£11⅜	+0¼
Gen. Accident	498	899	+21	Smith & Nephew	1,200	139	+0½
Gen. Elect	7,900	204	+3	Standard Chart	1,650	753	+15
Glaxo	1,100	£13⅝	+0¹⁄₁₆	Storehouse	7,200	314	+19
Granada	1,300	330	+9	Sun Alliance	727	716	+21
Grand Met	1,300	492	+4½	TSB	4,100	76½	—
Gus "A"	960	£11⁹⁄₁₆	+0⅛	Tarmac	482	493	+4
Guardian R.E.	872	848	+24	Tesco	2,100	434	+8
GKN	4,400	320	−2½	Thorn EMI	2,300	557	−3
Guinness	2,300	289	—	Trafalgar House	4,700	310	+10
Hanson Trust	7,000	148	+1½	T'house Forte	1,000	203	—
Hawker Sidd	610	531	+7	Unilever	232	£25⅛	—
Hillsdown Hlgs	355	231	+1	United Biscuits	819	269	+1
ICI	5,500	£13⅞	−0¹⁄₁₆	Wellcome	2,200	294	+5
Imp. Cont. Gas	381	592	+1	Whitbread 'A'	1,700	289	+5
Jaguar	1,800	609	−3	Woolworth	326	742	+7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	98	2	13
Corporations, Dominion and Foreign Bonds	26	8	37
Industrials	562	376	595
Financial and Properties	199	115	273
Oils	38	12	62
Plantations	2	3	9
Mines	80	38	64
Others	124	23	34
Totals	1,129	577	1,087

FT-ACTUARIES INDICES

These Indices are the Joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Thursday February 5 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Feb 4 Index No.	Tues Feb 3 Index No.	Mon Feb 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	785.72	+0.5	8.05	3.35	15.73	0.74	781.51	776.96	777.51	611.45
2	Building Materials (27)	968.25	+0.9	8.08	3.37	15.54	0.56	959.74	960.57	955.36	653.96
3	Contracting, Construction (28)	1355.97	+0.9	7.07	3.46	19.43	0.34	1343.89	1336.30	1335.32	961.34
4	Electricals (12)	1950.59	−0.2	7.72	4.02	16.62	0.00	1953.72	1942.46	1952.75	1701.04
5	Electronics (38)	1745.83	+0.3	8.24	2.36	16.11	5.15	1741.08	1735.87	1738.02	1495.21
6	Mechanical Engineering (61)	444.76	+0.4	9.00	3.74	14.17	0.17	443.04	441.40	441.99	339.25
8	Metals and Metal Forming (7)	409.70	+0.6	8.92	3.63	13.61	0.00	407.18	398.79	400.87	269.05
9	Motors (15)	313.94	+0.1	8.76	3.34	13.17	0.00	313.48	311.45	311.84	243.94
10	Other Industrial Materials (21)	1315.15	+0.6	[illegible]	4.20	17.27	[illegible]	1305.24	[illegible]	[illegible]	1107.41
21	CONSUMER GROUP (186)	1070.49	+0.9	6.87	2.95	18.72	0.95	1060.61	1054.94	1058.78	790.67
22	Brewers and Distillers (22)	1005.75	+0.7	8.46	3.45	14.84	0.00	998.28	997.18	999.18	809.96
25	Food Manufacturing (25)	817.20	+0.6	8.17	3.44	16.09	1.18	812.68	810.63	815.35	527.88
26	Food Retailing (16)	1981.11	+0.7	6.79	2.74	20.47	9.50	1967.62	1958.98	1971.43	1713.73
27	Health and Household Products (10)	2009.31	+0.9	4.73	1.89	24.52	0.02	1991.01	1981.56	2002.88	1318.94
29	Leisure (31)	1108.62	+0.5	6.78	3.74	19.34	0.73	1102.84	1101.21	1109.47	789.67
31	Packaging & Paper (14)	572.15	—	6.20	2.93	20.93	0.38	571.87	571.94	567.55	395.77
32	Publishing & Printing (14)	3333.05	—	6.09	3.42	21.18	3.41	3334.06	3342.45	3322.79	2020.37
34	Stores (37)	914.90	+2.0	7.01	2.96	19.38	0.25	897.02	880.55	877.24	748.53
35	Textiles (17)	640.75	+0.9	8.22	3.16	14.00	0.00	635.33	641.36	649.30	449.76
40	OTHER GROUPS (87)	921.13	+0.6	8.29	3.59	14.99	0.52	915.96	901.16	898.53	731.15
41	Agencies (17)	1244.23	+0.4	4.61	1.76	29.54	0.30	1239.76	1235.28	1237.15	0.0
42	Chemicals (21)	1249.51	+0.2	7.11	3.38	17.14	2.85	1247.13	1197.64	1194.90	800.98
43	Conglomerates (13)	1166.98	+0.9	7.40	3.74	16.03	0.15	1156.13	1137.45	1133.45	0.0
45	Shipping and Transport (10)	1764.72	+1.1	5.97	4.23	21.13	0.00	1745.56	1725.93	1731.02	1438.47
47	Telephone Networks (2)	941.66	+0.6	9.93	4.09	13.73	0.00	935.91	917.61	906.61	872.56
48	Miscellaneous (24)	1219.15	+0.5	10.06	3.46	11.20	0.07	1212.52	1225.26	1233.57	901.15
49	INDUSTRIAL GROUP (482)	968.20	+0.7	7.55	3.23	16.78	0.79	961.16	953.06	954.06	737.13
51	Oil & Gas (18)	1661.40	+1.7	10.21	5.46	12.38	0.00	1632.91	1603.51	1609.24	1119.05
59	500 SHARE INDEX (500)	1026.78	+0.9	7.94	3.55	15.97	0.72	1017.86	1007.90	1009.32	770.38
61	FINANCIAL GROUP (117)	654.80	+0.9	—	4.30	—	0.33	648.94	652.49	654.34	533.89
62	Banks (8)	719.94	+0.7	17.64	5.10	7.78	0.69	714.62	714.75	715.07	537.21
65	Insurance (Life) (9)	930.08	+1.2	—	4.17	—	0.00	919.07	925.20	931.07	802.60
66	Insurance (Composite) (7)	509.89	+3.1	—	4.26	—	0.00	493.71	497.12	500.15	432.41
67	Insurance (Brokers) (9)	1186.91	+0.3	8.12	4.46	16.03	0.97	1183.56	1188.90	1198.69	1294.17
68	Merchant Banks (11)	369.41	−0.4	—	3.11	—	0.00	370.99	383.71	382.84	306.12
69	Property (47)	832.37	+0.3	5.74	3.53	22.69	0.05	830.16	833.49	837.15	672.70
70	Other Financial (25)	405.92	−0.3	7.40	3.76	17.13	0.62	407.11	408.32	407.49	299.72
71	Investment Trusts (96)	926.54	+0.3	—	2.48	—	0.60	923.37	923.29	921.96	664.46
81	Mining Finance (2)	375.70	+0.7	8.32	4.27	14.14	0.00	373.13	366.77	371.31	262.03
91	Overseas Traders (12)	832.22	+1.0	9.69	5.38	12.53	0.00	824.14	826.40	828.55	626.68
99	ALL-SHARE INDEX (727)	926.51	+0.9	—	3.64	—	0.61	918.64	912.17	913.67	702.16

	Index No.	Day's Change	Day's High	Day's Low	Feb 4	Feb 3	Feb 2	Jan 30	Jan 29	Year ago
FT-SE 100 SHARE INDEX ♣	1866.1	+19.4	1866.1	1852.1	1846.7	1828.6	1832.8	1808.3	1798.1	1445.80

FIXED INTEREST

	PRICE INDICES	Thurs Feb 5	Day's change %	Wed Feb 4	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	121.33	+0.14	121.16	—	0.85
2	5-15 years	135.86	+0.41	135.30	—	1.37
3	Over 15 years	143.43	+0.37	142.89	—	0.94
4	Irredeemables	156.19	+0.44	155.51	—	0.00
5	All stocks	133.38	+0.32	132.95	—	1.12
	Index-Linked					
6	5 years	117.81	+0.16	117.62	—	0.00
7	Over 5 years	114.91	+0.25	114.63	—	0.36
8	All stocks	115.35	+0.23	115.09	—	0.30
9	Debentures & Loans	118.07	+0.38	117.62	—	0.25
10	Preference	83.27	+0.32	83.00	—	0.22

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Feb 5	Wed Feb 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.24	9.29	9.90
2	Coupons	15 years	9.75	9.80	10.39
3		25 years	9.76	9.88	10.40
4	Medium	5 years	10.21	10.27	11.50
5	Coupons	15 years	10.00	10.05	10.85
6		25 years	9.84	9.87	10.53
7	High	5 years	10.26	10.33	11.64
8	Coupons	15 years	10.16	10.22	11.06
9		25 years	9.86	9.90	10.64
10	Irredeemables †		9.69	9.73	10.29
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.26	3.35	4.75
12	Inflat'n rate 5%	Over 5 yrs	3.70	3.72	3.89
13	Inflat'n rate 10%	5 yrs	1.70	1.78	3.76
14	Inflat'n rate 10%	Over 5 yrs	3.55	3.56	3.73
15	Debs &	5 years	10.74	10.80	12.11
16	Loans	15 years	10.86	10.92	11.73
17		25 years	10.87	10.93	11.51
18	Preference †		11.26	11.30	12.08

Opening index 1857.5; 10 am 1852.6; 11 am 1858.6; Noon 1860.5; 1 pm 1863.2; 2 pm 1863.6; 3 pm 1863.9; 3.30 pm 1861.9; 4 pm 1861.3.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*424)	330	100	107	117	0½	1	1½
	360	70	77	87	1½	1½	5
	390	40	47	58	2	9	13
[illegible]							

February 5. Total Contract 38,883. Calls 28,702. Puts 10,181. FT-SE Index Calls 677 Puts 472. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡‡	F.P.	30/1	78	65	‡Avesco (Reg) 1p	77	......	L0.5	6.6	0.9	19.7
¶¶	F.P.	—	37	24	Benson (SGB)	36	−1	bd0.5	3.2	2.0	22.5
‖‖	F.P.	—	63	37	‡Border TV	59	+4	2.5	3.2	6.02	7.3
135	50	20/2	72¼	61	British Gas	70½	+2	w6.5	2.1	5.9	11.2
§94	F.P.	6/1	119	114	‡Gaynor Group 10p	119	......	L2.67	2.8	3.2	16.0
§95	F.P.	19/1	120	105	‡Halls Homes & Gdns 5p	118½	......	R2.77	2.7	3.3	13.1
§23	F.P.	5/1	29	24	‡Harmony Leisure 5p	28	−1	10.1	12.4	0.5	22.5
§100	F.P.	14/1	121	95	‡Hornby Group 5p	95	......	R3.195	2.8	4.7	10.8
§128	F.P.	30/1	180	146	Hoskyns Group 5p	174	−5	u1.6	4.7	1.3	23.2
§65	F.P.	21/1	85	65	Logitek 5p	85	......	R1.8	3.8	3.0	12.4
§144	F.P.	23/1	159	144½	MIL Research 5p	159	......	R3.0	3.4	2.7	15.4
§102	F.P.	—	115	104	‡Mayborn Group 5p	112	......	R3.2	3.0	4.0	11.6
150	75	—	78	75	Mezzanine Tst. Inc.	77	......	at10.4	—	9.6	—
50	F.P.	—	53	50	Do. Capital 50p	51	......	at10.4	—	11.6	—
‡‡	F.P.	—	53	52	Multitrust	52	......	—	—	—	—
§100	F.P.	—	107	101	Paribas French Inv. Tst.	107	......	—	—	—	—
—	F.P.	—	106	101	Scot. Inv. Tst. Warrants	101	......	—	—	—	—
§112	F.P.	8/1	130	119	‡Tribble Harris $0.01	130	+2	RQ3.6c	2.8	1.9	19.0
§130	F.P.	27/2	183	148	Viking Packaging 10p	183	......	u3.5	3.0	2.7	17.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
101.61	£10	19/3	12¼	11½	Mid-Kent Water 8¾% Red Prf. 1997	12	−¼
§100	£50	15/5	49¾	41½	Mid-Sussex Water 11% Red Deb 2012-16	49¼	+½
§99.237	F.P.	—	101¹⁄₁₆	100¾	Moats Inv. Tst. 11% Deb. 2012	100⅞	+½
—	F.P.	—	100¼	100¼	Nationwide 11¼% Bds. 1/1/88	100¼	......
¶¶	F.P.	—	114½p	110½p	P. & O. 6¾% Cnv. Red. Prf.	114½p	+1

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/7 High	1986/7 Low	Stock	Closing Price p	+ or −
36	Nil	16/3	10 pm	10 pm	Petranol 10p	10 pm	......
42	Nil	20/3	15 pm	12 pm	Rowe Evans Inv. 10p	14 pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

WORLD STOCK MARKETS

AUSTRIA

Feb. 5	Price Sch.	+ or −
Credi'nst'lt pp	2,000	+10
Goesser	3,005	.....
Interunfall	13,100	+150
Jungbunzlauer	9,150	−190
Laenderbank	8,000	+50
Perlmooser	650	.....
Steyr Daimler	147	+5
Veitscher Mag	910	+10

BELGIUM/LUXEMBOURG

Feb. 5	Price Frs.	+ or −
B.B.L.	3,030	−40
Banq.Gen. Lux	16,500	.....
Banq.Int.A.Lux	15,150	.....
Bekaert	9,450	.....
Ciment CBR	4,220	−80
Cockerill	139	+1
Delhaize	2,650	−50
EBES	5,050	+10
Fabrique Nat	1,725	+40
GB Inno BM	900	−30
GBL (Brux)	3,660	−70
Generale Bank	6,130	−50
Gevaert	6,000	−10
Hoboken	7,830	+10
Intercom	3,970	+20
Kredietbank	4,100	−20
Pan Holding	10,800	+50
Petrofina	9,230	−70
Royale Belge	28,410	+5
Soc.Gen. Belge	3,140	−10
Sofina	11,900	−100
Solvay	8,750	+30
Stanwick Int	260	+10
Tractebel	6,280	.....
UCB	9,780	+60
Wagons Lits	5,460	−150

DENMARK

Feb. 5	Price Knr %	+ or −
Baltica Skand	945	−25
Cop Handels'nk.	285	+3
D. Sukkerfab	386	.....
Danske Bank	364	+3
East Asiatic	235	.....
Forenede Brygg.	955	−10
GNT Hld	340	.....
I.S.S.B	810	−10
Jyske Bank	645	−5
Novo Inds*	254	+4
Privatbanken	296	−1
Sophus Berend	846	+5
Superfos	160	+1

FINLAND

Feb. 5	Price Mks	+ or −
Amer	191.5	+0.5
KOP	45.2	−0.8
Kone	192.5	−0.5
Finnish Sugar	98.2	+0.2
Nokia	148	−2
Pohjola 'B'	68.3	−3
Rauma-Repola	21	.....
Stockmann 'B'	158	.....
UBF 'C'	31	+1
Wartsila (S11)	169.5	+0.5

NETHERLANDS

Feb. 5	Price Fls	+ or −
ACF Holdings	57.5	+1.5
AEGON	78.9	−0.1
Ahold	102	+0.5
AKZO	132.5	−0.2
ABN	505	.....
AMEV	65.3	+0.3
AMRO	84.2	−0.2
Bredero Cert.	74.5	.....
Buehrmann Tet.	52.2	+0.2
Dordtsche Pet'm	202.5	+3.4
Elsevier-NDU	232	+3
Fokker	54.7	+1.2
Gist Brocades	39.5	+0.1
Heineken	155	−2
Hoogevens	34	+0.2
Hunter Doug NV	55.8	−0.2
IHC/Caland	17.2	.....
Int. Mueller	65.1	+0.6
KLM	38.5	+0.8
KNP	145.5	+2.3
Nat Ned Cert.	71.6	−0.2
Ned Mid Bank	185	−1
Nedlloyd	162	+1
Oce Grinten	593	+5
Ommeren (Van)	34.4	+0.1
Pakhoed	64	+0.2
Philips	45.4	+0.9
Robeco	96.5	+4.0
Rodamco	140.5	+0.1
Rolinco	84.4	+0.2
Rorento	50.4	+0.1
Royal Dutch	219.5	+5.9
Unilever	505	+2
VMF Stork	25.2	+0.7
VNU	317	−3
Wessanen	74.5	−0.2
Wolters Samson	115	−0.5

GERMANY

Feb. 5	Price Dm.	+ or −
AEG	282	+1
Allianz Vers	1,605	−17
BASF	244.5	+4.6
Bayer	274.5	+7.5
Bayer-Hypo	438	.....
Bayer-Verein	425	−5
BHF Bank	435	−10
BMW	487	−1
Brown Boveri	278	−0.5
Commerzbank	267.5	−2.5
Cont'l Gummi	281.5	−3.5
Daimler-Benz	952	.....
Degussa	426	+0.5
D'sche Babcock.	250	+4
Deutsche Bank	683.5	−8.5
Dresdner Bank	338.8	+0.8
Feld-Muehle Nbl	271.5	+1.5
Henkel	477	+75
Hochtief	940	−8
Hoechst	246.2	+1.7
Hoesch Werke	95.5	+6
Holzmann (P)	600	.....
Horten	232	+7
Hussel	594	−1
Karstadt	420	−5
Kaufhof	475	+10
KHD	156	+4
Kloeckner	53	.....
Linde	600	+8
Lufthansa	157	−6
MAN	150	+10
Mannesmann	148.5	+6.4
Mercedes Hld.	797.5	+7.5
Metallgesell.	250.1	+0.1
Muench Rueck.	1,840	+100
Nixdorf	699	+7
Porsche	860	−2
Preussag	182.5	−0.5
Rhein West Elect	219	−1
Rosenthal	280	+7
Schering	640	+9
Siemens	646	+16
Thyssen	116.5	+9.8
Varta	359	−1
Veba	260.7	+0.7
V.E.W.	154.3	−0.7
Verein-West	424	−12
Volkswagen	350	+18

ITALY

Feb. 5	Price Lira	+ or −
Banco Com'le.	24,950	−30
Bastogi-IRBS	698	+4
C.I.R.	6,420	−31
Credito Italiano.	3,295	+25
Fiat	13,680	+180
General Assicur.	134,100	+900
Italcementi	72,000	−100
La Rinascente	1,105	+20
Montedison	2,920	+55
Olivetti	12,400	+200
Pirelli Co.	7,000	+10
Pirelli Spa	5,000	+10
Saipem	4,500	.....
Snia BPD	4,879	+24
Toro Assic	30,250	−150

FRANCE

Feb. 5	Price Frs.	+ or −
Emprunt 4½% 1975	1,633	.....
Emprunt 7% 1973	7,820	−5
Accor	531	+10
Air Liquide	700	+4
BIC	745	+15
Bongrain	2,385	−35
Bouygues	1,280	−10
BSN Gervais	4,610	+31
CIT Alcatel	2,811	+11
Carrefour	3,485	+25
Club Mediter'n.	664	+5
Cie Bancaire	1,070	−10
Cofimeg	403	+6
Damart	2,380	+40
Darty	468	−7
Dumez S.A.	2,250	−10
Eaux (Cie Gen)	1,428	+18
Elf Aquitane	348	+10.5
Essilor	3,470	−40
Gen.Occidentale	1,218	+28
Imetal	96.5	+3.3
Lefarge Coppee.	1,470	+30
L'Oreal	3,880	+50
Legrand	5,310	+60
Maisons Phoenix	178	5.5
Matra S.A.	2,320	.....
Michelin B	2,945	+10
Midi (Cie)	1,660	.....
Moet-Hennessy	2,230	+10
Moulinex	94	−5
Nord Est	196	−0.2
Pernod Ricard	1,042	+17
Perrier	774	+14
Petroles Fra.	463	+14
Peugeot S.A.	1,230	−5
Printemps (Au)	585	−4
Radio Tech	1,330	+74
Redoute	2,600	+47
Roussel-Uclaf	1,631	−7
Sefimeg	489	+3
Skis Rossignol	1,575	+18
Telemec Elect.	3,330	+10
Thomson (CSF)	1,451	−14
Valeo	556	+9

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

NORWAY

Feb. 5	Price Kroner	+ or −
Bergens Bank	188.5	+8.5
Bergesen B.	266	.....
Christiania Bank	204	+1
DenNorske Cred.	179	.....
Elkem	93	+0.8
Kosmos	134.5	+0.5
Kvaerner	177.5	−1
Norcem	125	.....
Norsk Data	217	−2
Norsk Hydro	145	+4
Orkla-Borregaard	376	−3.5
Storebrand	306.5	+0.5

SPAIN

Feb. 5	Price Pta %	+ or −
Bco Bilbao	1,491	−33
Bco Central	1,115	−5
Bco Exterior	650	+14
Bco Hispano	610	−20
Bco Popular	1,770	−4
Bco Santander	1,143	−20
Bco Vizcaya	1,891	−9
Banesto	870	+40
Dragados	620	.....
Hidrola	101.7	+1.7
Iberduero	153	−8
Petroleos	548	−30
Telefonica	177.7	−8

SWEDEN

Feb. 5	Price Kronor	+ or −
AGA	162	−1
Alfa-Laval B	261	−4
ASEA (Free)	322	+8
Astra (Free)	526	−6
Atlas Copco	152	.....
Beijer A B	149	+6
Cardo (Free)	160	.....
Cellulosa	260	+2
Electrolux B	291	+3
Ericsson B	231	+10
Essette	136	−4
Mo och Domsjo.	238	+2
Pharmacia	222	+7
Saab Scania Free	555	+5
Sandvik	140	−4
Skandia	125	+1
Skan Enskilda	117	+2
SKF	347	+12
Stora Kopparbrg	280	−3
Sven. Handlesbk	408	+3
Swedish Match	430	−2
Volvo B (Free)	291	+7

SWITZERLAND

Feb. 5	Price Frs.	+ or −
Adia Intl	8,950	−125
Alusuisse	498	.....
Bank Leu	3,650	−50
Brown Boveri	1,650	+20
Ciba Geigy	3,350	+120
do. (Part Certs)	2,240	−10
Credit Suisse	3,530	−40
Elektrowatt	3,720	−40
Fischer (Geo)	1,565	−35
Hoff-Roche PtCts	124,500	.....
Hoff-Roche 1/10	12,225	−100
Jacobs Suchard.	7,921	−129
Jelmoli	4,000	−90
Landis & Gyr	1,630	−10
Nestle	8,875	−75
Oer.Buehrle	1,180	−40
Pargesa Hldgs	2,265	−35
Pirelli	442	−3
Sandoz (Br)	10,800	+20
Sandoz (Pt Cts)	1,610	−10
Schindler (PtCts)	670	.....
Sika	1,750	+15
Surveillance A	8,225	−75
Swissair	1,080	+20
Swiss Bank	489	−9
Swiss Reinsce	17,000	−350
Swiss Volksbk	2,380	−60
Union Bank	5,560	−30
Winterthur Inh	6,650	−75
Zurich Ins	7,426	−250

AUSTRALIA

Feb. 5	Price Aust. $	+ or −
ACI Intl	3.9	+0.06
Adelaide Steams	13.4	.....
Amcor	4.45	+0.1
ANZ Group	5.7	.....
Ampol Pet	2.60	.....
Ariadne	3.6	+0.04
Ashton	2.8	+0.04
Aust. Guarantee	3.56	−0.02
Aust. Nat. Inds	3.15	−0.05
Bell Group	9.98	+0.26
Bell Res	4.7	+0.1
Bond Corp Hldgs	2.62	+0.03
Boral	4.74	+0.14
Bougainville	3.07	−0.06
Brambles Inds	8	.....
Bridge Oil	0.95	.....
BHP	9.34	+0.06
Burns Philp	10	+0.9
CRA	7.5	+0.16
CSR	3.9	+0.06
Chase Corp	4.7	+0.1
Claremont Pet	0.85	+0.02
Coles Myer	6.14	.....
Comalco 'A'	2.55	+0.06
Consolidated Pet	0.32	−0.01
Costain Aust	3.25	.....
Elders IXL	6.1	+0.16
Energy Res	1.70	.....

AUSTRALIA (continued)

Feb. 5	Price Aust. $	+ or −
Gen. Prop. Trust	2.75	+0.05
Hardie (James)	4.4	+0.1
Hartogen Energy	3.2	+0.05
Herald W'y Times	15	.....
ICI Aust	3.4	.....
Industrial Equity	5.46	+0.16
Jimberlana F.P.	0.44	+0.04
Kia Ora Gold	1.05	−0.08
Kidston Gold	7.5	+0.1
Lend Lease	10.4	+0.3
MIM	2.38	+0.01
Mayne Nickless	4.2	+0.1
Nat. Aust. Bank	6.54	+0.02
News	17.5	.....
Nicholas Kiwi	3.80	.....
Noranda Pacific	2.80	+0.15
North Bkn Hill	2.45	−0.05
Oakbridge	0.65	+0.05
Pacific Dunlop	4.38	−0.02
Pancontinental	3.4	+0.05
Pioneer Conc	3.08	+0.15
Placer Pacific	2.45	+0.05
Poseidon	6.65	−0.04
Queensland Coal	1.57	−0.01
Reckitt & Colman	6.25	.....
Santos	4.25	+0.08
Smith Howard	5.1	.....
Thos. Natwide	3.88	+0.06
Tooth	5.8	−0.1
Vamgas	2.8	.....
Western Mining	6.1	+0.22
Westpac Bank	4.8	+0.05
Woodside Petrol	1.7	+0.02
Woolworths	3.65	−0.05
Wormald Intl	4.15	+0.05

HONG KONG

Feb. 5	Price H.K.$	+ or −
Bank East Asia	23.8	−0.1
Cathay Pacific	6.05	+0.1
Cheung Kong	41.0	+0.75
China Light	20.6	+0.2
Evergo	0.93	−0.01
Hang Seng Bank	44.5	+1.25
Henderson Land	5.0	−0.2
HK China Gas	22.8	+0.5
HK Electric	12.7	+0.2
HK Land	7.7	.....
HK Shanghai Bk.	10.2	+0.1
HK Telephone	13.8	−0.2
Hutchison Wps	47.25	−0.25
Indust.Equt.Pac.	23	.....
Jardine Math	25.4	+0.2
New World Dev.	10.1	+0.15
SHK Props	19.4	+0.5
Shell Elect.	0.96	.....
Swire Pac A	20.1	.....
TV—B	13.2	+0.1
Wharf Holdings	9.0	+0.05
Winsor Inds.	9.7	+0.2
World Int. Hldgs.	3.72	.....

JAPAN

Feb 5	Price Yen	+ or −
Ajinomoto	2,030	−20
All Nippon Air	1,320	.....
Alps Electric	1,800	.....
Asahi Chem	793	−7
Asahi Glass	1,310	−40
Bank Tokyo	1,390	−20
Bridgestone	661	−1
Brother Inds	560	+1
Canon	921	.....
Casio Comp	1,260	−20
Chugai Pharm	1,430	−20
Daiei	1,270	−10
Dai-ichi Kan. Bk.	2,660	+10
Dai Nippon Ink	650	+20
Dai Nippon Ptg	1,820	.....
Daiwa House	1,770	−20
Daiwa Sec	2,420	−60
Eisai	2,190	−30
Fanuc	5,300	−30
Fuji Bank	3,680	−10
Fuji Film	3,430	−50
Fujisawa	1,620	−30
Fujitsu	950	−11
F'urukawa Elect.	530	−8
Green Cross	3,350	−70
Heiwa Real Est	1,360	−50
Hitachi	1,050	.....
Hitachi Credit	1,990	−30
Honda	1,340	−20
Indl. Bk. Japan	3,130	+10
Ishikawajima Hr.	518	+4
Isuzu Motor	339	+29
Itoh (C)	822	+6
Ito Yokado	3,660	−60
JAL	12,800	−100
Jusco	1,270	−30
Kajima	1,470	−30
Kao Corp	1,660	−10
Kawasaki Steel	222	−3
Kirin	1,710	−20
Kobe Steel	199	−5
Komatsu	545	+5
Konishiroku	630	+9
Kubota	465	−1
Kumagai	1,140	−10
Kyocera	3,690	−40
Marubeni	475	+6
Marui	2,680	−70
Mazda Motors	360	−3
Meija Seika	863	+2
MIE	1,690	−20
M'bishi Bank	2,560	+30
M'bishi Chem	775	−5
M'bishi Corp	1,110	−10
M'bish Elect.	461	+11
M'bishi Estate	2,630	−50

JAPAN (continued)

Feb. 5	Price Yen	+ or −
MHI	532	+3
Mitsui Bank	1,610	+10
Mitsui Co	610	−15
Mitsui Estate	2,030	−30
Mitsui Toatsu	440	.....
Mitsukoshi	1,060	−30
NGK Insulators	809	−31
Nikko Sec	2,010	+10
Nippon Denso	1,460	−20
Nippon Elect	2,030	−30
Nippon Express	1,370	+20
Nippon Gakki	1,330	−80
Nippon Kogaku	760	−15
Nippon Kokan	272	+7
Nippon Oil	1,220	−20
Nippon Seiko	455	−3
Nippon Shimpan	1,160	−20
Nippon Steel	267	+1
Nippon Suisan	488	−9
Nippon Yusen	540	+2
Nissan Motor	579	+14
Nisshin Flour	885	+5
Nomura	3,760	.....
Olympus	1,110	.....
Onoda Cement	640	+4
Orient Finance	1,110	−30
Orient Leasing	3,790	−50
Pioneer	2,130	−30
Ricoh	905	−10
Sankyo	1,630	−40
Sanwa Bank	2,380	.....
Sanyo Elect.	362	.....
Sapporo	1,310	−30
Sekisui House	1,560	−20
Seven Eleven	7,950	−80
Sharp	1,000	−10
Shimizu Constn.	870	−13
Shionogi	1,680	−20
Shiseido	1,770	−40
Showa Denko	460	.....
Sony	3,120	+40
S'tomo Bank	3,170	−10
S'tomo Chem.	546	.....
S'tomo Corp.	1,010	.....
S'tomo Elect.	1,780	−40
S'tomo Metal	192	+2
Taisei Corp.	950	−12
Taisho Marine	1,140	−30
Taiyo Kobe Bank	1,080	−20
Takeda	2,860	−50
TDK	3,080	−20
Teijin	681	−19
Toa Nenryo	1,580	+10
Tokai Bank	1,550	.....
Tokio Marine	2,130	−50
Tokyo Elec Pwr.	8,260	−60
Tokyo Gas	1,160	−30
Tokyu Corp.	1,400	.....
Toppan Print	1,570	−40
Toray	671	−14
Toshiba Elect.	662	+12
Toyo Seikan	2,010	.....
Toyota Motor	1,860	−30
UBE Inds	290	+6
Victor	2,400	−30
Yamaha	617	+13
Yamaichi Sec.	1,870	−20
Y'manouchi Phm	3,900	−60
Yamazaki	1,900	+40
Yasuda Fire	1,100	+10

SINGAPORE

Feb. 5	Price $	+ or −
Boustead Hldgs.	1.63	+0.02
Cold Storage	3.62	−0.04
DBS	10.50	.....
Genting	7.25	+0.05
Haw Par. Bros.	3.50	−0.04
Hong Leong Fin.	2.77	−0.03
Inchcape Bhd.	3.10	−0.06
Keppel Corp.	2.76	−0.01
Malay Banking	6.30	+0.05
Malay Utd. Ind	1.68	.....
Multi Purpose	0.43	.....
OCBC	9.85	+0.05
OUB	3.26	.....
Public Bank	1.45	+0.07
Sime Darby	2.64	−0.04
Singapore Air	9.90	−0.06
Singapore Press	7.85	.....
Straits Trdg.	5.92	.....
Tat Lee Bank	2.90	−0.02
UOB	4.38	−0.04

SOUTH AFRICA

Feb. 5	Price Rand	+ or −
Abercom	3.65	.....
AE&CI	16.5	.....
Allied Tech	95	−5
Anglo Am. Coal	41.25	−0.25
Anglo Am. Corp.	69.25	−0.75
Anglo Am. Gold	348	−2
Barclays Bank	18.8	.....
Barlow Rand	19.5	−0.25
Buffels	75.50	.....
CNA Gallo	3.25	.....
Currie Finance	5.10	.....
De Beers	42	−0.2
Dreifontein	76	−1
F. S. Cons	62.5	.....
Gold Fields S.A.	66.5	−1
Highveld Steel	5.3	+0.05
Malcor	17	−0.25
Nedbank	6.65	.....
OK Bazaars	15	.....
Rembrandt	91	−3
Rust Plat	54	−0.25
Safren	18.75	+0.25
Sage Hldgs	10.75	.....
SA Brews	16	+0.2
Smith (CG)	33.75	+0.25
Tongaat Hulett	9.2	−0.1

CANADA

WE REGRET that Toronto closing prices were not available for this edition due to computer problems.

TORONTO
Prices at 2.30pm February 5

Sales	Stock	High	Low	Close	Chng
[illegible]					
30	Can GE	$127¼	125¾	127¼	
100	CG Invest	556	56	56	+1
527138	Cl Bk Com	$23¼	22⅞	23⅛	+¼
24108	C Marconi	$21½	20¾	21⅛	+⅜
5128	C Occidental	$29⅝	28¾	29⅛	+⅜
152987	CP Ltd	$22½	21½	22⅛	+1⅛
44127	CTire A f	$13¾	13⅝	13⅝	+¼
101795	CUtil A f	$19¾	19⅛	19¾	+⅝
4000	CUtil B	$20	19½	20	+⅝
176810	Canfor	$22¼	21⅝	22	
3100	Canron A	$16⅝	16	16	−½
15100	Cara	$10½	10¼	10⅜	
[illegible]					
3800	Gibraltar	$8⅞	8	8⅛	
11830	Goldcorp f	$8⅝	8½	8½	−⅛
1400	Grafton A f	$16	15⅞	15⅞	−¼
183160	GL Forest	$41½	39⅛	41½	+2
100	Gt Pacific	$46	46	46	+1
5200	Greyhnd	$27½	27	27	−¼
36000	GuarPA f	$15⅝	15¼	15¼	−⅛
482738	Gulf Can	$25¾	24¾	25¾	+1½
2800	Hawker	$26½	26¼	26½	+⅛
5257	Hayes D	$12⅛	12	12	+⅜
43330	Hees Intl	$34¼	33½	33⅞	−⅛
4054	H BayMn e	$7⅝	7½	7⅝	
[illegible]					
93122	Nowsco W	$14⅞	13⅞	14	+⅛
28409	Nu West	43	42	43	+2
213688	Numac	$11½	10¾	11⅜	+⅞
1001	Oakwood	335	335	335	+10
1200	Oakwd A f	140	135	140	+10
1000	Ocelot B f	475	475	475	+25
3528	Omega Hyd	$5¾	5⅝	5⅝	
54925	Oshawa A f	$19	18¾	18⅞	
61194	PacW Airl	$21⅞	21½	21⅞	+⅜
148725	Pgurin A f	$15⅞	15⅝	15⅞	+⅜
800	Pamour	$12¾	12¾	12¾	+½
5288	PanCan P	$31	30½	31	+⅝
[illegible]					

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices February 5

Sales	Stock	High	Low	Close	Chng
[illegible]					
106160	ConBath	$35⅝	34½	34½	−¾
11323	DomTxtA	$19⅛	18¾	19	
51750	MntTrst	$15¾	15	15⅞	+½
111541	NatBk Cda	$34⅝	34⅛	34⅝	
33107	Noverco	$13¾	13¼	13⅝	
326080	Power Corp	$19⅝	18¾	18⅞	−⅛
24522	Provigo	$20⅝	18⅝	21⅞	
3150	RollandA	$18¾	18⅛	18¾	
163350	Royal Bank	$38⅝	37⅝	38⅝	+⅞
56895	RoyTrstco	$33¼	32¾	32¾	−¼
152435	SteinbrgA	$37½	37¼	37¼	

Total Sales 10,850,796 shares

NEW YORK—DOW JONES

	Feb 5	Feb 4	Feb 3	Feb 2	Jan 30	Jan 29	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,201.49	2,191.23	2,169.45	2,179.42	2,158.04	2,160.01	2191.23 (4/2/87)	1502.29 (22/1/86)	2191.23 (4/2/87)	41.22 (2/7/32)
Transport	917.39	911.94	891.84	881.90	874.88	877.54	911.94 (4/2/87)	686.97 (9/1/86)	911.94 (4/2/87)	12.32 (8/7/32)
Utilities	227.49	227.31	226.46	225.99	224.72	224.61	227.83 (22/1/87)	169.47 (22/1/86)	227.83 (22/1/87)	10.5 (8/4/32)
Trading vol		222.43m	198.05m	177.38m	163.36m	285.25m	-	-	-	-

STANDARD AND POORS

	Feb 5	Feb 4	Feb 3	Feb 2	Jan 30	Jan 29	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	317.54	315.73	311.88	311.53	308.36	308.59	315.73 (4/2/87)	224.48 (22/1)	315.73 (4/2/87)	3.62 (21/6/32)
Composite	281.16	278.64	275.99	276.46	274.08	274.24	278.64 (4/2/87)	203.40 (22/1)	278.64 (4/2/87)	4.48 (1/6/32)

	Jan 28	Jan 21	Jan 14	Year Ago (Approx)
Ind div yield %	2.68	2.75	2.81	3.44
Ind. P/E Ratio	19.67	19.34	18.83	14.68
Long Gov Bond Yield	10.01	9.92	7.30	9.29

N.Y.S.E. ALL COMMON

Feb 5	Feb 4	Feb 3	Feb 2	1987 High	1987 Low
160.36	159.31	157.22	157.45	159.31 (4/2/87)	117.75 (22/1)

RISES AND FALLS

	Feb 4	Feb 3	Feb 2
Issues traded	1,981	1,977	1,996
Rises	1,202	872	1,151
Falls	424	786	461
Unchanged	355	389	384

TORONTO

	Feb 5	Feb 4	Feb 3	Feb 2	1987 High	1987 Low
Metals & Minls	2,373.1	2,332.3	2,278.5	2,231.3	2,442.85 (21/3)	1,917.4 (5/2)
Composite	3,512.0	3,448.1	3,408.3	3,378.7	3,448.1 (4/2/87)	2,754.0 (17/2)
MONTREAL Portfolio	1,792.26	1,788.7	1,737.4	1,723.72	1,788.7 (4/2/87)	1,385.6 (22/1)

* Indicates pre-close figure

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Gen Motors	4.95m	79⅛	+ ¾	Can-Pacif	2.54m	18⅝	+ ⅞
ATT	4.08m	24	+ ⅜	All Robins	2.43m	24⅛	+ 5
US X CP	3.24m	25	+ ⅛	Amer Elec	2.18m	38⅝	unch
Philips Pet	2.98m	13⅝	unch	Prime Comp	2.15m	23⅛	+ 1
IBM	2.83m	xd 136⅝	+ 1⅝	Schlumb	1.85m	38⅝	− ¼

Advances 762 Declines 531

TOKYO — Most Active Stocks
Thursday, February 5, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	457.3m	267	+ 1	Mitsui Eng. & Ship.	66.1m	282	+ 1
Nippon Kokan	218.8m	272	+ 7	Mitsubishi Heavy Ind.	53.7m	532	+ 3
Kawasaki Steel	113.7m	222	− 3	Nippon Yusen	32.5m	540	+ 2
Sumitomo Metal	113.2m	192	+ 2	Mitsubishi Electric	32.0m	461	+11
Ishikawa H. H. Ind.	93.4m	518	+ 4	Sumitomo Chemical	29.7m	545	unch

Indices

	Feb. 5	Feb. 4	Feb. 3	Feb. 2	1986/87 High	1986/87 Low
AUSTRALIA						
All Ord. (1/1/80)	1533.4	1512.2	1502.5	1486.7	1555.8 (15/1/87)	1010.6 (2/1/86)
Metals & Mnls. (1/1/80)	765.2	749.1	759.2	751.6	786.0 (20/1/87)	461.1 (20/1/86)
AUSTRIA						
Creditbk Aktien (30/12/84)	203.00	203.37	205.14	205.37	296.84 (28/4)	205.00 (5/2/87)
BELGIUM						
Brussels SE (1/1/84)	4000.70	4016.02	4033.56	4044.91	4151.66 (9/12)	2788.91 (15/1/86)
DENMARK						
Copenhagen SE (3/1/83)	217.59	216.94	216.33	217.25	290.70 (18/4)	196.26 (11/11)
FINLAND						
Unitas Genl. (1975)	445.5	446.4	449.8	446.8	482.1 (15/1/87)	258.3 (2/1/86)
FRANCE						
CAC General (31/12/82)	416.3	415.9	420.7	421.5	425.7 (29/1/87)	267.8 (2/1/86)
Ind Tendance (31/12/86)	(u)	105.8	106.8	107.7	108.4 (27/1/87)	97.8 (2/1/87)
GERMANY						
FAZ Aktien (31/12/58)	558.65	568.31	575.22	580.95	753.88 (17/4)	556.65 (5/2/87)
Commerzbank (1/12/53)	1677.6	1711.2	1752.7	1762.5	2278.6 (17/4)	1677.6 (5/2/87)
HONG KONG						
Hang Seng Bank (31/7/64)	2552.14	2555.65	2600.58	2585.22	2552.14 (3/2/87)	1559.84 (18/3)
ITALY						
Banca Comm. Ital. (1972)	705.52	705.72	704.51	704.05	909.20 (20/6)	484.87 (24/1/86)
JAPAN**						
Nikkei (16/5/49)	19795.1	19875.6	19866.3	20072.1	20072.1 (2/2/87)	12881.0 (21/1/86)
Tokyo SE New (4/1/68)	1751.80	1742.12	1749.77	1762.07	1762.07 (2/2/87)	1025.85 (21/1/86)
NETHERLANDS						
ANP.CBS General (1970)	282.0	280.1	280.6	285.5	301.0 (5.5)	240.4 (6/3)
ANP.CBS Indust (1970)	247.1	246.8	248.5	251.8	305.5 (19/8)	234.0 (6/3)
NORWAY						
Oslo SE (4/1/83)	371.22	371.11	371.52	370.88	402.31 (16/1/86)	261.61 (4.6)
SINGAPORE						
Straits Times (30/12/66)	971.26	972.97	972.85	987.77	972.97 (4/2/87)	568.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	2016.0	2030.0	2058.0	2121.0 (15/1/87)	1108.1 (21/4)
JSE Indust (28/9/78)	—	1528.0	1554.0	1529.0	1554.0 (4/2/87)	1018.3 (2/1/86)
SPAIN						
Madrid SE (30/12/85)	247.51	251.46	249.66	245.61	251.46 (4/2/87)	100.55 (5/1/86)
SWEDEN						
Jacobson & P (31/12/56)	2271.42	2249.68	2258.25	2207.14	2272.76 (7/11)	1728.57 (28/1/86)
SWITZERLAND						
Swiss BankCpn (31/12/58)	571.1	574.7	575.5	581.8	625.5 (6/1/86)	487.2 (4/6)
WORLD						
MS. Capital Intl. (1/1/70)	—	402.3	402.1	402.4	402.4 (2/2/87)	249.8 (25/1/86)

** Saturday January 31: Japan Nikkei 20,023.5. TSE 1758.34.
Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3. and Australia. All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors 10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

LONDON — Most Active Stocks
Wednesday, February 5, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	38.4m	78½	+ 1¼	Gen Elect	7.9m	204	+ 3
Sears	15.8m	129¼	− 3½	Comm Union	7.4m	317½	+11
Marks & Spncr	13.9m	202	+ 4	Storehouse	7.2m	314	+19
Burton	11.95m	260	− 3	Hanson Tr	7.0m	148	+ 1½
ASDA-MFI	10.0m	149	unch	Plessey	6.5m	205	− 6

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 35

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					
Quantm	20 2846	27½	26½	27¼	+ ¾
Quixtes	595	13	11⅞	13	+1
R R					
RPM .72	22 162	23½	23¼	23¼	− ¼
RadSys	13 664	10½	9⅞	10½	+ ½
Rainer 1.16	11 1270	38½	37½	38½	+ ⅞
Readng	21 52	24⅛	23⅝	23⅝	
Reeves	26 2425	10½	10⅛	10⅜	+ ⅜
Refac	60 177	12	11	12	+ ½
RgcySl .20	473	7⅛	6⅞	7	
RntCirs	28 786	26¾	26	26¼	+ ½
RepAm.10e	16 2179	16⅛	15¼	15¾	+ ½
[illegible]					
SoundW	10 534	12¼	11¾	11⅞	+ ¼
SthdFn .52	587	13	d12¾	12¾	
Soutrst .80	11 477	23¾	23	23⅝	+ ⅜
Sovrgn .10	123 1985	8⅝	8⅜	8⅝	+ ⅜
Sovran 1.36	10 934	36⅛	35⅝	35⅞	+ ⅛
Speedys	24 383	19¼	19	19¼	
SpecCtl .07	17 173	10½	10¼	10½	+ ¼
StarSur	66 95	8⅛	7⅞	8⅛	
StafBld .20	60 80	9⅝	9⅜	9½	− ¼
Standy 1.20	14 357	41	40¼	40¼	
StdMic	850 3467	17¼	16	17	+1⅛
StdReg .80	16 584	44	43¼	43¼	− ¾
[illegible]					
Unifis	18 741	13½	12⅞	13⅛	
Unimed	37	10½	10¼	10½	+ ¼
UnFedl .05e	4 99	20½	19⅞	20½	+ ¼
UnNatl 1.32	13 50	35½	35	35	− ½
UnPlntr.10e	15 883	38½	38	38	
UnWarn	27 205	46½	46¼	46⅜	+ ⅛
UACms .04	93 2722	21⅞	20¼	21⅞	+1
UBWash	11 384	u35⅞	34¾	34⅞	+ ⅜
UBCol 1.08	11 83	22⅝	22¼	22⅝	
UCaroB1.04	10 30	28¾	28½	28½	
UCtyGs1.60	16 43	25⅞	25¾	25⅞	
UFireCs .80	15 37	30½	30¼	30½	+1
[illegible]					
Wyman .80	508	20	19¼	20	+ ¼
Wyse	18 6855	u25½	24¾	25¼	+ ½
X Y Z					
XLData	15 74	20⅛	19½	20¼	+ ¼
XOMA	1042	16	15½	15½	− ¼
Xicor	2872	10⅝	10	10⅛	− ⅛
Xidex	34 6860	15¼	14¾	14¾	
Xyvan	32 841	17	15¾	16¼	+ ¼
YlowFs .62	15 6267	35⅝	34⅞	35⅝	+1¼
ZenNtl .80	19 1128	25½	24½	25¼	+ ¾
ZionUt 1.44	14 137	47½	44	47	+2¼
Zondvn	33 684	27⅞	26⅞	27¼	

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

Ault & Wib	101	+ 8
Beatson Cl	240	+19
Beecham	499	+10
Bl Circle	705	+10
B. P.	797½	+15½
Comm. Union	317½	+11
Conroy Pet.	98	+15
Delyn Pack	243	+10
Dixons	345	+14
Egerton Tr	117	+ 8
Eng China Clays	389	+14
Fit Lovell	275	+11
Foster (J.)	98	+ 9
Jacks Bour End	393	+26
McAlp (A.)	465	+10
Mid Wynd Inv.	228	+ 8
Next	272	+15
North Foods	291	+10
Phoenix Props.	133	+ 9
Reck & Colm	975	+18
Royal Ins.	928	+33
Shell Trans	£11¹³⁄₁₆	+ ¼
Stand Chart	753	+15
Storehouse	314	+19
Thur Bardex	85	+ 8½
Trade Prom	231	+13
Traf House	310	+10

FALLS

Merc House	340	−10
Vaux	559	−15
Vic Prods	86	− 7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29⅞	17½	AAR s	.50	1.7	21	500	29⅞	29¼	29⅝	
31⅛	21⅞	ADT	.92	2.9		773	u32¼	31	31⅝	+¼
38½	17⅞	AFG s	.12e	.3	11	380	38	37½	37¾	−½
37	16¾	AGS			22	224	36⅝	35	35½	−½
15	6¾	AMCA				20	7⅞	7⅞	7⅞	+⅛
62⅛	45¾	AMR			13	5602	59⅜	57¾	58¼	−½
16½	10	ARX	.71t	5.7	12	454	12¾	12	12⅜	−⅛
42⅞	28¾	ASA	2a	4.9		823	40¾	40	40¾	+½
18⅜	9¾	AVX			20	884	16⅝	15⅞	16	
32	25	AZP	2.72	8.7	10	3264	31⅛	31	31⅛	
58	33	AbtLb s	.84	1.4	26	8533	u59¾	58½	59¼	+1¼
32	25	AccoWd .62		2.1	19	318	30⅜	29½	30⅛	−⅝
14⅛	9	AcmeC .40		3.0	25	1014	13⅞	13⅛	13⅜	+⅝
9¼	6⅛	AcmeE .32b		3.9	29	4	8¼	8¼	8¼	
23⅞	17½	AdaEx 3.42e		15.		227	22¾	22	22½	+⅝
16⅞	9¾	AdmMs .24		1.5		386	u16¾	15¼	16½	+1½
20¾	12⅛	AdvSys .21		3.2	15	165	19¾	19⅛	19⅛	−⅜
32⅞	12⅞	AMD				15840	23½	22¼	22⅞	+1⅞
11⅜	5¼	Adobe				1058	8⅞	6½	8½	−¼
18¾	13¾	Adob pf 1.84		10.		315	u18½	18¼	18¼	−⅛
21¼	15¾	Adob pf 2.40		11.		32	21¼	21	21⅛	−⅛
19⅜	11½	Advest .12a		.9	11	1162	13¾	13⅛	13⅜	+⅛

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Zenith Lb s 56 1229 $9\frac{3}{8}$ $8\frac{7}{8}$ 9 $-\frac{1}{8}$

Zero s .36 2.0 19 452 $17\frac{7}{8}$ $17\frac{1}{4}$ $17\frac{3}{4}$ $+\frac{1}{4}$

Zurnin 1.32 3.1 17 546 $42\frac{7}{8}$ $40\frac{7}{8}$ $42\frac{5}{8}$ $+1\frac{3}{4}$

Zweig n.10e 1.1 1014 $9\frac{1}{8}$ $9\frac{3}{8}$ $9\frac{1}{2}$

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Late rally sends Dow over 2,200

AN AVALANCHE of buy orders at the opening bell pushed Wall Street share prices sharply higher yesterday morning. Recovering from a sudden reversal in early afternoon markets went on to set records for a second day running, *writes Roderick Oram in New York.*

Stocks were boosted in part by the credit markets for the first time in more than a week as bond prices rallied strongly on a rebounding dollar and a successful Treasury long bond auction.

The Dow Jones industrial average closed up 10.26 points at a record 2,201.49. It was the first day stocks had ventured above the 2,200 level since the 114 point mid-session collapse two weeks ago. New York Stock Exchange volume of 258.3m shares was the second busiest day ever with advancing stocks outpacing declining by a margin of almost two-to-one.

Prices, however, had reversed suddenly shortly after 1.30pm following unconfirmed reports that Mr Terry Waite, the Anglican church envoy, had been shot trying to escape his Lebanese captors. From being up 19 points on the day, the Dow Industrial fell 27 points before recovering. The markets feared that if the report was true, it could trigger US military action in Lebanon.

The advance was broadly based with New York and American stock exchange composite indices setting records by rising 1.05 to 160.36 and by 3.58 to 314.98 respectively. The Standard & Poor's 500 gained 1.52 to 281.16. Technology stocks were among the leading sectors with IBM up $2⅞ to $136⅞, Cray Research gaining $3¼ to $116½, Digital Equipment adding $3¾ to $150⅝ and Unisys up $2⅜ to $98½.

General Motors was the most actively traded stock rising $1⅝ to $80 on more than 5.6m shares. It reported fourth quarter net profits of 79 cents a share against $3.85 a year earlier but on the positive side there were widespread reports that Mr Roger Smith, its chairman, had hinted to analysts that GM might buy back shares and raise its dividend.

Among companies reporting higher earnings, Allied Signal, a wideranging industrial conglomerate, lost $⅝ to $46⅝. Marriott, the major hotel group, fell $¾ to $35½. Fieldcrest Cannon, a textiles manufacturer, jumped $1⅛ to $36⅞ and Gannett, a media group heavily concentrated in newspapers, rose $⅝ to $43¼.

Department stores reported mixed January sales figures. Sears, Roebuck, fell $½ to $45⅞, pushed up sales 2.8 per cent. Woolworth, up $⅛ to $45, boosted revenues by 10.6 per cent and K-mart, up $¼ to $51⅞, increased sales by 12.8 per cent while J. C. Penney, off $⅛ to $81⅞, announced a 2.5 per cent dip in sales.

USX, the energy and steel group, gained a further $⅛ to $25 on heavy volume of more than 3.3m shares. Its stock rose sharply on Wednesday after it unveiled plans to streamline its lossmaking steel operations and rebuild its market share. On the takeover front, Diamond Shamrock was unchanged at $14⅞.

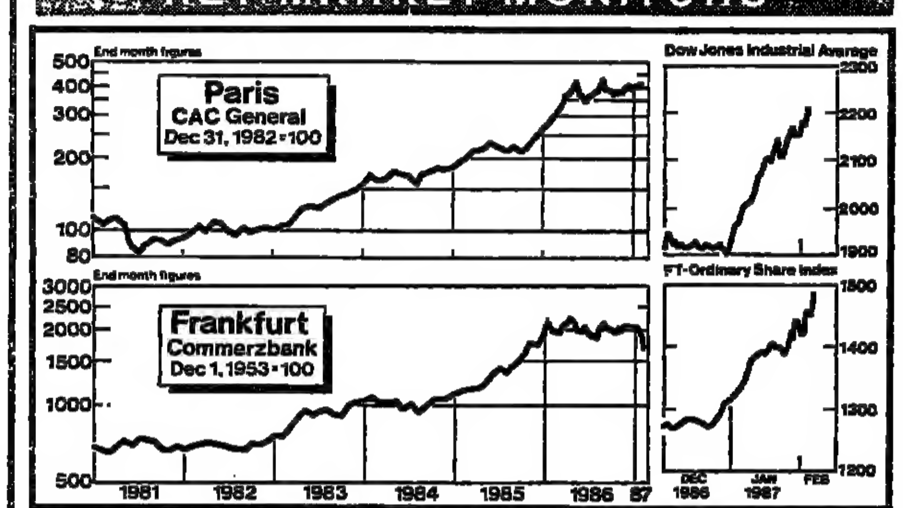
A. H. Robins gained $5¼ to $24½. The drug company which is operating under Chapter 11 of the bankruptcy code has received a takeover offer of undisclosed value from American Home Products which added $2⅜ to $85⅞.

The tone of the credit markets continued to improve as the dollar appeared to gain some fundamental strength and the Treasury auctions attracted sufficient demand from foreign investors. The Japanese were active participants in all three auctions this week. The weakness of the dollar last week had raised fears that they would be only modest buyers.

The average yield on bids accepted for $9.25bn of 30-year bonds auctioned yesterday was 7.49 per cent which, coupled with other factors, indicated a successful sale on tight terms.

In the secondary market, the price of the 7.50 per cent benchmark Treasury 30-year bonds rose one point to 100 23/32, at which it yielded 7.43 per cent with some of the gain coming after the auction result was announced. Shorter maturities showed more modest gains.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 5	Previous	Year ago
NEW YORK			
DJ Industrials	2,201.49	2,191.23	1,593.12
DJ Transport	917.39	911.94	753.44
DJ Utilities	227.49	227.31	175.83
S&P Composite	281.16	279.64	212.96
LONDON			
FT Ord	1,486.2	1,472.8	1,171.7
FT-SE 100	1,866.1	1,846.7	1,424.1
FT-A All-share	926.51	918.64	694.70
FT-A 500	1,026.78	1,017.86	762.95
FT Gold mines	311.9	311.5	327.8
FT-A Long gilt	9.86	9.90	10.66
TOKYO			
Nikkei	19,795.08	19,973.33	13,185.7
Tokyo SE	1,731.60	1,742.12	1,051.12
AUSTRALIA			
All Ord.	1,533.4	1,512.9	1,060.7
Metals & Mins.	763.2	749.1	513.4
AUSTRIA			
Credit Aktien	203.00	203.37	238.55
BELGIUM			
Belgian SE	4,000.70	4,016.82	2,901.62
CANADA			
Toronto			
Metals & Minls	2,373.1	2,332.3	2,193.0
Composite	3,512.0	3,448.1	2,771.6
Montreal			
Portfolio	1,792.26	1,759.27	1,135.47
DENMARK			
SE	217.38	216.94	225.49
FRANCE			
CAC Gen	416.30	413.90	278.9
Ind. Tendance	-	105.00	67.58
WEST GERMANY			
FAZ-Aktien	568.63	568.31	667.73
Commerzbank	1,677.60	1,711.20	2,015.7
HONG KONG			
Hang Seng	652.14	2,636.63	1,723.08
ITALY			
Banca Comm.	705.52	703.72	492.67
NETHERLANDS			
ANP-CBS Gen	262.00	260.10	256.7
ANP-CBS Ind	247.10	246.80	249.8
NORWAY			
Oslo SE	371.23	371.11	373.10
SINGAPORE			
Straits Times	971.26	972.97	619.20
SOUTH AFRICA			
JSE Golds	—	2,018.0	1,238.5
JSE Industrials	—	1,528.0	1,086.9
SPAIN			
Madrid SE	247.51	251.43	110.29
SWEDEN			
J & P	2,271.42	2,242.69	1,783.66
SWITZERLAND			
Swiss Bank Ind	571.10	574.70	583.6
WORLD	Feb 4	Previous	Year ago
MS Capital Int'l	402.3	402.1	261.6

COMMODITIES

(London)	Feb 4	Prev
Silver (spot fixing)	362.45	361.15p
Copper (cash)	£884.25	£879.00
Coffee (March)	£1,593.00	£1,598.50
Oil (Brent Blend)	$17.95	$17.65

GOLD (per ounce)

	Feb 5	Prev
London	$399 25	$404.75
Zürich	$400.50	$403.00
Paris (fixing)	$404.49	$402.43
Luxembourg	$402.65	$402.00
New York (April)	$407.20 *	$406.20

CURRENCIES

(London)	US DOLLAR Feb 5	US DOLLAR Previous	STERLING Feb 5	STERLING Previous
$	-	-	1.5150	1.5225
DM	1.8400	1.8150	2.7875	2.7625
Yen	153.65	152.75	232.75	232.5
FFr	6.1325	6.055	9.29	9.22
SFr	1.5500	1.5320	2.3475	2.3325
Guilder	2.0750	2.0425	3.145	3.11
Lira	1,308.50	1,288	1,982	1,961
BFr	37.95	37.45	57.50	57.0
C$	1.3305	1.3255	2.0175	2.0215

INTEREST RATES

	Feb 5	Prev
Euro-currencies (3-month offered rate)		
£	11	11 1/16
SFr	3½	3 7/16
DM	4 1/16	4 1/16
FFr	8⅝	8 15/16
FT London Interbank fixing (offered rate)		
3-month US$	6¼	6¼
6-month US$	6¼	6¼
US Fed Funds	5 13/16*	5⅞
US 3-month CDs	5.85*	6.125
US 3-month T-bills	5.575*	5.78

US BONDS

Treasury

		February 5* Price	February 5* Yield	Prev Price	Prev Yield
6⅞	1989	99 19/32	6.345	99 17/32	6.379
7⅛	1993	99 21/32	7.002	99 23/32	7.049
7¼	1996	100 15/32	7.202	100 7/32	7.236
7¼	2016	100 6/32	7.476	99 23/32	7.521

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Feb 5 Day's change	Yield	Day's change
1–30	162.19	+0.51	6.94	−0.05
1–10	153.98	+0.29	6.65	−0.05
1– 3	143.50	+0.14	6.35	−0.04
3– 5	156.92	+0.28	6.71	−0.05
15–30	191.47	+1.27	7.84	−0.07

Source: Merrill Lynch

Corporate	February 5* Price	February 5* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92.416	6.40	92.256	6.45
SCBT South Central				
10⅞ Jan 1993	105.875	9.581	105.625	9.635
Phibro-Sal				
8 April 1996	100.25	7.958	100	8.0
TRW				
8¾ March 1996	104.50	8.039	104.00	8.117
Arco				
9⅞ March 2016	113.375	8.613	112.358	8.70
General Motors				
8⅛ April 2016	94.375	8.655	93.922	8.70
Citicorp				
9⅜ March 2016	104.15	8.97	103.254	9.05

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
March	100–09	100–16	99–20	99–18
US Treasury Bills (IMM)				
$1m points of 100%				
March	94.49	94.51	94.47	94.46
Certificates of Deposit (IMM)				
$1m points of 100%				
March	-	-	-	94.10
LONDON				
Three-month Eurodollar				
$1m points of 100%				
March	93.76	93.76	93.73	93.74
20-year Notional Gilt				
£50,000 32nds of 100%				
March	116–05	116–08	115–25	115–20

* *Latest available figures*

EUROPE

Firm dollar fuels mood of optimism

A MORE optimistic mood developed on European bourses yesterday as the dollar firmed.

Frankfurt finished mixed with prices well above the day's lows after buyers moved in during the afternoon. The Commerzbank index at midsession reflected the morning's sharp falls with a drop of 33.6 to 1,677.6, its lowest level since October 1985.

The dollar's recovery against the D-Mark helped bargain-hunting by foreign and domestic institutions later in the day, but the turnround was seen yesterday as a technical reaction to this week's severe losses rather than the start of a clear upward trend.

In the financial sector, Deutsche Bank dropped DM 10 further to DM 683.50 and Commerzbank DM 2.50 to DM 267.50, both new 12-month lows. Dresdner, in contrast, edged up 80 pfg to DM 338.80.

Insurer Allianz, which said it would probably pay an unchanged DM 12 dividend on "good" 1986 results, lost DM 17 to DM 1,605 after falling to DM 1,575 at one stage.

Chemicals were stronger, with Hoechst DM 11.70 ahead at DM 246.20 despite its conflict with the European Commission over the investigation into alleged plastics price-fixing.

Bayer gained DM 7.50 to DM 274.50 and BASF was up DM 4.60 to DM 244.50.

Bonds were little changed and the Bundesbank sold DM 38.9m worth of paper after buying DM 40.3m on Wednesday.

Paris, was buoyed by the firmer dollar, the FFr 25bn current account payments surplus for last year and the strength of Wall Street. Sporadic bargain-hunting also strengthened sentiment. Banks were weak, however, as the Bank of France left its money market intervention rate unchanged.

Redoute led the session with a FFr 470 surge to FFr 3,600 on takeover rumours. Printemps fell FFr 4 to FFr 535 on its weaker turnover figures for last year.

Poclain among construction-related issues, dropped FFr 2.50 to FFr 36.50 while Moulinex closed FFr 5 weaker at FFr 94 on the growing market conviction that the chances for a takeover of the electrical group have dimmed.

Stockholm brightened on the dip in local short-term interest rates. Ericsson, in talks over a possible deal with Telefonica, was one of the most active, scoring a SKr 10 rise to SKr 221. Fermenta resumed trading on the unofficial list after a two-day suspension. The troubled biotechnology group held at SKr 30 after the cash infusion by banks late on Wednesday.

Amsterdam reversed midsession weakness to close broadly firmer on the strength of the dollar and the opening gains in New York.

Zurich slipped lower despite the firmer dollar. Banks and insurers suffered the sharpest falls, although several exchange rate sensitive issues moved against the trend: Ciba Geigy added SFr 120 to SFr 3,350 and Swissair rose SFr 20 to SFr 1,060.

Brussels was inhibited by the lack of any institutional support. GBL gave up BFr 70 to BFr 3,660 in continuing reaction to the developments in its Drexel Burnham Lambert unit.

Milan advanced in thin trading on stronger-than-expected growth in net assets of Italian mutual funds. Large industrials continued to attract buyers, with Fiat L155 ahead at L13,650, Montedison L35 up at L2,920 and Olivetti L150 higher at L12,350.

Madrid slipped back from its peak with Telefonica dropping 8 percentage points to 177.70 per cent of nominal value. Dealers have said its forthcoming New York listing is acting as a brake on the domestic share price.

TOKYO

High price levels spark nervous fall

LARGE-CAPITAL stocks were again the main target for buyers in Tokyo yesterday, but profit-taking pressure sparked by investor concern over high prices drove shares sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average lost 178.79 to 19,795.08. Trading was heavy at 1.79bn shares compared with Wednesday's 1.52bn. Declines outnumbered gains by 590 to 268, with 138 issues unchanged.

Volume of the 10 most active stocks – large-capital steels, shipbuildings, heavy electricals and chemicals – accounted for 67 per cent of the total.

Nippon Steel topped the active list with 457.33m shares changing hands and closed Y1 higher at Y267 after gaining Y6 earlier.

Nippon Kokan, the second busiest issue with 210m shares traded, advanced Y7 to Y272. Kawasaki Steel, third most active stock with 113.74m, finished Y3 lower at Y222.

Mitsui Engineering and Shipbuilding with 66.11m shares traded, rose Y1 to Y202, while Nippon Yusen, with 32.5m, ended Y2 higher at Y540.

Other stocks declined under the small-lot selling pressure. Power and gas utilities were weak, with Tokyo Electric Power dropping Y50 to Y8,260 and Tokyo Gas Y30 to Y1,160.

Issues related to acquired immune deficiency syndrome (Aids), which were popular early this week, lost further ground.

Toray rose Y16 at one stage but came under selling pressure later to close Y14 lower at Y671. Sumitomo Chemical, with 29.73m shares traded, ended at Y545, unchanged from the previous day, after advancing Y13.

Denki Kagaku Kogyo declined Y21 to Y485 and Sanyo-Kokusaku Pulp Y9 to Y473.

Pharmaceuticals were weak, with Takeda Chemical shedding Y30 to Y2,680, Yamanouchi Pharmaceutical Y50 to Y3,900 and Dainippon Pharmaceutical Y80 to Y3,570.

Blue chips were mainly out of favour, although some heavy electricals were sought.

Toshiba gained 12 to Y662, while Mitsubishi Electric, with 32.07m shares traded, added Y11 to Y491.

Conversely, NEC fell Y30 to Y2,030, Matsushita Electric Industrial Y20 to Y1,890 and Fuji Photo Film Y50 to Y3,430.

Bond prices firmed, spurred by the strong performance of the bond futures market.

With investors hoping for another discount rate cut, March contracts rose to Y106.05 briefly, exceeding Y106 for the first time. This prompted dealers to step up buying on the cash market.

As a result, the yield on the benchmark No. 5.1 per cent government bond, maturing in June 1996, declined to 4.770 per cent at one stage. Sell orders worth over Y200bn were placed later, pushing the yield up to 4.780 per cent at the close, down from Wednesday's 4.800 per cent.

LONDON

GOOD DEMAND for oils led the London market to a new high yesterday while a rally in government securities pushed yields below 10 per cent at the long end.

The renewed strength of Wall Street helped to extend early gains: both leading indices hit new peaks as the FT-SE 100 surged a fresh 19.4 to 1,866.1 and its narrower sister index advanced 13.4 to 1,486.2.

Firmness in the dollar brought gains among insurers, while banks staged a recovery from the weakness of the previous session.

Stores continued to attract buyers on the strength of UK consumer spending data.

In a buoyant gilt market, gains of ¼ to ½ at the long end reflected trader rather than genuine investment interest.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30-31

SINGAPORE

TRADING in Singapore followed a similar pattern to Wednesday as shares closed mixed on a combination of profit-taking and selective buying. The Straits times industrial index shed 1.71 to 971.26 in more active trading.

In Malaysian stocks, Multi-Purpose topped the actives with 2.4m shares traded, jumping 10½ cents to 61½ cents on market rumours of a management change. Genting and Malayan Banking both added 5 cents to S$7.25 and S$6.30 respectively.

AUSTRALIA

MINING AND INDUSTRIAL stocks featured in a strong Sydney rally that was triggered by the overnight records in London and New York and aided by a firmer Australian dollar.

The All Ordinaries index jumped 20.3 to 1,532.9 turnover of 123m shares.

Media stocks were busy with John Fairfax jumping 80 cents to A$14.70 after touching A$14.90 as rumours circulated that the publisher may be subject to a bid soon. News Corp also scored an 80-cent gain to A$17.60, while Herald & Weekly Times was steady at A$15.00.

Private Blood Bank continued its strong advance with a fresh 84 cent rise to A$5.90, a gain of A$1.85 in three days.

HONG KONG

THE FLURRY of local and overseas buying continued in Hong Kong, pushing the Hang Seng index to its fourth consecutive gain and its second record high in a row, up 15.51 at 2,652.14.

At midday, the index had climbed as high as 2,672, but profit-taking and fresh fears over the territory's future after 1997 combined to pull prices off their highs in late trading.

In heavy turnover, Cheung Kong advanced 75 cents to HK$41 while Cathay Pacific Airways was 10 cents higher at HK$6.05 and Hang Seng Bank gained HK$1.25 to HK$44.50, all 12-month highs.

Against the trend, Bank of East Asia eased 10 cents to HK$23.80.

SOUTH AFRICA

QUIET TRADING persisted in Johannesburg with most share sectors easier as the bullion price showed little movement and the financial rand firmed.

Most mining issues followed golds lower, with De Beers off 20 cents at R42 and SA Manganese also 20 cents down at R6.75.

Industrials were mixed with an easier undertone.

CANADA

HEAVY BUYING of resource issues underpinned strong gains in Toronto although golds turned dull.

Canada Pacific topped the active list in early trading with a C$1⅛ gain to C$22¾. Moore Corp, also active, added C$⅜ to C$31⅜ while Gulf Canada rose C$⅛ to C$25⅛. Inco at C$18¾ was C$⅛ higher.

Banks posted the largest gains in Montreal.